ANNUAL REPORT 2019

PG | PARKMEAD GROUP

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Accelerating future growth

The Parkmead Group is an independent, UK and Netherlands focused energy business with four business areas. Its shares are listed on the Alternative Investment Market of the London Stock Exchange. The Group currently produces gas from a portfolio of four fields across the Netherlands and it holds significant oil and gas interests spanning its 26 exploration and production blocks under licence. Parkmead also has access to renewable energy opportunities within its portfolio.

“2019 has been an excellent year of progress for Parkmead. Building on the solid foundations established in recent years, the Group increased its revenue by 18% to £8.3 million and delivered very strong cash flow from operations, which climbed 59% to £4.7 million”

Tom Cross
Executive Chairman

Highlights

£8.3m
Revenue (up 18%)

£5.7m
Gross profit (up 41%)

£5.1m
Operating profit

Renewable energy deal completed

(post year-end)

Chairman's Statement

2019 has been an excellent year of progress for Parkmead. Building on the solid foundations established in recent years, the Group increased its revenue by 18% to £8.3 million and delivered very strong cash flow from operations, which climbed 59% to £4.7 million. This in turn yielded a major step forward in operating profit, which rose to £5.1 million. This is valuable progress for Parkmead, creating momentum with which to continue its growth.

Parkmead also achieved key milestones at the Platypus gas project in the Southern North Sea during the year. The Field Development Plan draft and Environmental Statement were submitted to the UK Oil and Gas Authority ("OGA") and the Offshore Petroleum Regulator for Environment and Decommissioning ("OPRED"), respectively.

Since the year-end Parkmead secured access to onshore renewable energy opportunities through its strategic acquisition of Pitreadie, a company owning some 2,320 acres of land. Potential has already been identified for a large wind farm, with further potential for solar farm projects and a biomass production facility. These opportunities will be important in light of the energy transition that is taking place both within Parkmead and the wider energy sector.

Operations and Portfolio Growth

Parkmead has continued to make progress towards building a balanced, independent energy business of breadth and scale by developing its current portfolio and increasing its asset base through acquisitions.

In October 2019, Parkmead announced that a Field Development Plan draft and Environmental Statement for the Platypus gas project was submitted to the OGA and OPRED, respectively. These two documents were submitted on behalf of the co-venturers by Dana Petroleum, a subsidiary of the Korean National Oil Corporation (KNOC). Parkmead's co-venturers in the Platypus project are CalEnergy Gas (15%), Zennor Petroleum (11%) and Dana Petroleum (59%). Parkmead's equity in the project is 15%.

The Platypus field is located in the UK Southern North Sea in Blocks 47/5b and 48/1a, approximately 18 km north west of the West Sole gas field and 15 km south west of the Babbage field. The Platypus gas field was discovered in 2010 and was successfully appraised with a horizontal well in 2012 which was flow tested at a rate of 27 million cubic feet of gas per day (approximately 4,600 barrels of oil per day on an equivalent basis).

As a result of the successful appraisal well, the field development studies have been progressed leading to confirmation of concept selection and submission of the Field Development Plan draft and Environmental Statement are subject to the standard regulatory review and approvals.

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.

The development plan 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.

Tenders for the Subsea Pipeline & Facilities Engineering, Procurement, Construction and Installation, the Umbilical Supply and Controls Supply are all planned to be issued during Q4 2019. Project Sanction is expected to occur in Q2 2020 with First Gas scheduled in Q1 2022.

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

Development studies work is progressing on Parkmead's GPA project, which has the potential to deliver 75-130 MMBoe on a P50 basis. The Company 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

£82.3m

Parkmead's total assets

could yield a number of mutually beneficial advantages for both the Scott partnership and Parkmead. A tie-back to Scott is one path to potentially unlock the substantial value of the GPA project. Parkmead is also holding discussions with a number of leading, internationally-renowned service companies in relation to the GPA project.

New seismic was purchased covering Parkmead's Skerryvore prospect and surrounding area in Q3 2019. This new data will be reprocessed and interpreted during 2020 in order to mature the growing collection of prospects across this licence. The Skerryvore Mey prospect overlies two stacked Chalk prospects (Skerryvore Ekofisk and Skerryvore Tor) which are associated with a Zechstein salt diapir. The Chalk in these prospects is thought to have been re-worked, which significantly improves permeability over conventional Chalk reservoirs. These three stacked prospects have the potential to contain 157 million barrels of recoverable oil equivalent on a P50 basis.

In August 2019, Parkmead announced that it had signed a Share Purchase Agreement to acquire the entire issued share capital of Pitreadie, a company owning extensive land in Scotland with interesting and varied renewable energy potential. The completion of the acquisition was announced in September 2019.

The acquisition provides Parkmead with its first renewable energy opportunities, with potential already identified for the installation of a large wind farm, and further potential for solar farms and biomass energy sources.

One of the large areas of land owned by Pitreadie spans 1,238 acres and is located some 15 miles west of Aberdeen. Excellent average wind speeds exist on the site of between 7-10 m/s. This site lies adjacent to the Mid Hill Wind Farm which contains 33 Siemens manufactured and maintained wind turbines. Woodland planting has already been undertaken on part of this large site, which has the potential for a commercial biomass supply operation. Parkmead will be conducting a detailed analysis for optimising the land use of the various sites within the Pitreadie portfolio throughout 2020.

The consideration for the acquisition was satisfied by the issue of 9,645,669 new ordinary Parkmead shares. As part of the Acquisition, Parkmead assumed £3.6 million of Bank of Scotland debt held by Pitreadie. The land and property assets acquired, assuming no upside from renewable opportunities, were valued at £7.59 million by CKD Galbraith LLP, a leading independent property consultancy.

The renewables sector is a natural expansion of Parkmead's energy operations and is fully in line with the Group's strategy to re-balance Parkmead's energy portfolio. Parkmead recognises the transition that is taking place in the energy market, supported by legislation, from fuels with a higher carbon content to lower carbon alternatives such as natural gas and renewables. Natural gas and renewables play increasingly key roles in the generation of electricity.

Parkmead transitioned to a gas-only producer in January 2016 and the Group has increased its gas production almost tenfold since 2014.

Parkmead remains of the strong belief that oil and gas will have a very important role to play in the energy mix in future years. This is evidenced by a range of forecasts showing robust and increased demand for oil and gas going forward.

The acquisition also broadens Parkmead's operations and will add a third revenue-generating business area to the Group.

Increasing activity across the Netherlands asset portfolio

Diever West continues to provide strong gas production to the Group. Average gross production at Diever West for the financial year was 44.6 MMscfd, approximately 7,676 boepd, a 13% increase on the average gross production for the 12 month period ended 30 June 2018 of 39.6 MMscfd. A planned two week maintenance programme was carried out at the Garijp treatment centre in September 2019.

The Diever West field has performed above expectations since first production. New dynamic reservoir modelling suggests that the field holds approximately 108 Bcf gross gas-in-place, this is more than double the earlier, post-drill static volume estimate of 41 Bcf.

A number of further exploration opportunities exist within the Drenthe VI concession, which contains the Diever West field. Two of these are the Boergrup and De Bree prospects, both of which have stacked independent targets in the Vlieland and Rotliegendes (Boergrup) and Rotliegendes and Carboniferous (De Bree). A new seismic reprocessing project will be undertaken, starting in Q4 2019, which will help define and high-grade the extensive prospectivity around Diever West.

Parkmead's Netherlands portfolio includes producing gas fields with a very low operating cost. This profitable gas production provides important cash flow to the Group.

Detailed work has begun on the Ottoland oil and gas discovery, located on the same Andel Va block as the Brakel gas field. Seismic interpretation and depth migration studies were

completed during the year, followed by the construction of a dynamic simulation model used to analyse well locations and scenarios. Further modelling work will be undertaken ahead of development concept selection. Compression optimisation work will be carried out at the Group's Grolloo field during 2020.

New structural and static modelling has been completed at the Papekop oil and gas discovery, refining the volume estimates. Concept selection planning has begun.

Results
The Group's revenue for the year to 30 June 2019 increased to £8.3m (2018: £7.0m), generating a gross profit of £5.7m (2018: £4.1m). This is a significant achievement and is testament to the success of the Group's onshore gas portfolio and careful financial discipline. Parkmead's gas portfolio in the Netherlands ensures the Group is cash flow positive on an operating basis. The Group's four separate gas fields have an average operating cost of just US$11.9 per barrel of oil equivalent. Parkmead delivered a profit for the period of £2.4m (2018: £7.1m loss). Exploration and evaluation expenses reduced significantly to £0.2m (2018: £5.2m), predominantly due to no exploration impairments in 2019 (2018: £5.0m).

Administrative expenses were £0.4m (2018: £4.1m), which included a non-cash credit in respect of share based payments of £1.1m (2018: £2.5m expense). Underlying administrative expenses, excluding share based payments, were £1.5m (2018: £1.7m).

Parkmead's total assets at 30 June 2019 increased to £82.3m (2018: £78.9m). Financial assets reduced to £nil (2018: £5.7m). This reduction represents the realisation of the Group's investment in shares in Faroe Petroleum plc ("Faroe"). Faroe was purchased in the year by DNO ASA. The Group tendered its shares at the final cash offer price of 160 pence for each Faroe share, and subsequently realised £6.2 million in cash in February 2019.

Interest bearing loans receivable remained at £2.9m (2018: £2.9m). Cash and cash equivalents at year end increased to £30.7m (2018: £23.8m). The Group's net asset value was £68.3m (2018: £64.2m). Parkmead is therefore well positioned for growth. This positive position is a direct result of experienced portfolio management and a strong focus on capital discipline.

Due to Parkmead's ongoing growth opportunities and associated investment programme, the Board is not recommending the payment of a dividend in 2019 (2018: £nil).

Development of the Senior Management Team
As Parkmead grows, the directors continuously plan for the developing needs of the Group. The last 12 months have seen significant progress across our key projects in oil and gas, plus a strategic move into renewable energy opportunities. Therefore the board has recruited a number of experienced new staff to ensure Parkmead can maximise the value from its enhanced, high-quality asset base.

The Company has made a carefully integrated series of appointments to firstly increase the team's capabilities, and secondly to prepare for planned retirements. The board would like to express its thanks to Kevin Holley and Colin Percival, who both leave the Company this month having given excellent service during the formative years of the Group, and Colin retires from the board of directors with effect from 15 November 2019. We welcome three important new members to Parkmead's Operating Team. Tim Coxe joins in the new role of Managing Director, North Sea. He will lead Parkmead's technical team as we now enter the commercialisation phase of our North Sea projects, with a strong focus on driving forward developments including the Greater Perth oil area ("GPA") and the Platypus gas area. Tim has many years of North Sea experience and joins the Parkmead team in this new staff role, having previously led our project team on the GPA development, as a contractor, through to December 2018. Donald Wilson joins Parkmead as Financial Controller to lead our growing finance and accounting team, which is now covering all four areas of the Group's business, reporting to our Group CFO Ryan Stroulger. A new Managing Director has been appointed at Aupec Ltd. Kevin Mitchell, has been chosen to lead our performance benchmarking and economics consulting business, which has been advising numerous governments and energy companies successfully for over 30 years. Kevin is a well-known international energy economist with some 18 years of analytical experience. He understands Aupec well, having worked with the Company earlier in his career before it became part of the Parkmead Group.

Given the appointments outlined above, Parkmead is well positioned for future growth with a strong and balanced portfolio of assets and an experienced team of energy experts focused on delivery.

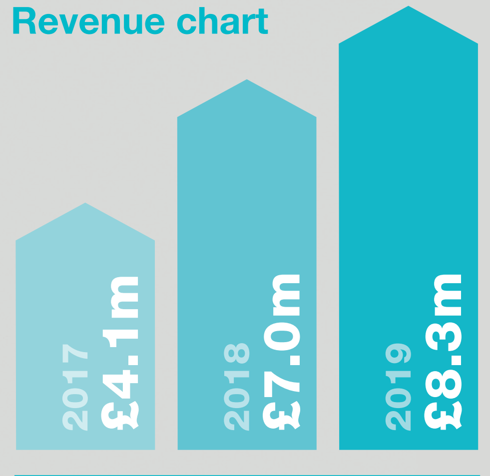
Outlook
The Directors of Parkmead are pleased with the Group's continuing progress in building a high-quality energy business of increasing breadth and scale. Parkmead has a strong core of profitable gas production and a balanced portfolio of assets with significant upside. Therefore, Parkmead is well positioned to build further on the achievements to date and to capitalise on new opportunities.

Parkmead clearly benefits from increasing balance within the Group, with four complementary arms of the business: Netherlands Gas, UK Oil and Gas, Benchmarking and Economics, and Future Opportunities (including renewable energy). The combination of these components adds strength and value to Parkmead's operations.

As we move towards 2020, Parkmead maintains its appetite for acquisitions and is looking carefully at a number of opportunities. We will also continue to add shareholder value through a dynamic work programme to maximise the inherent value in our existing assets. The Group has built a strong platform from which to grow and we look forward to updating shareholders as we make further progress.

Tom Cross

Executive Chairman
14 November 2019



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 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 much of the recent debate on energy transition, positioning the Company well in this new investment arena.

The four elements of our business have energy at their core. Our model allows us to draw on a deep reservoir of experience across the Group when appraising projects.

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

Netherlands Gas

Onshore gas production from four separate fields

UK Oil & Gas

Valuable exploration and development projects

Benchmarking & Economics

33 years of experience advising major companies and governments

Future Opportunities

New business, utilising Parkmead's scientific and commercial expertise including renewable energy opportunities

Producing the lower carbon transition fuel of the future

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 the major source in the generation of electricity and therefore powers the electric vehicles (EVs) of tomorrow.

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 onstream 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.

We see great potential to do more of this and Parkmead is currently working on:

- **low-risk Boergrup and De Bree prospects**
- **new seismic reprocessing project around Diever West**
- **development study and modelling of our Ottoland discovery**
- **compression optimisation planned to maximise production at our Grolloo field**
- **concept selection studies at Papekop**
- **new infill well at Geesbrug to increase production**

“Gas production has increased almost tenfold since 2014”

4

Producing fields

108

Bcf of gas-in-place at Diever West

13%

Increase in average production at Diever in 2019

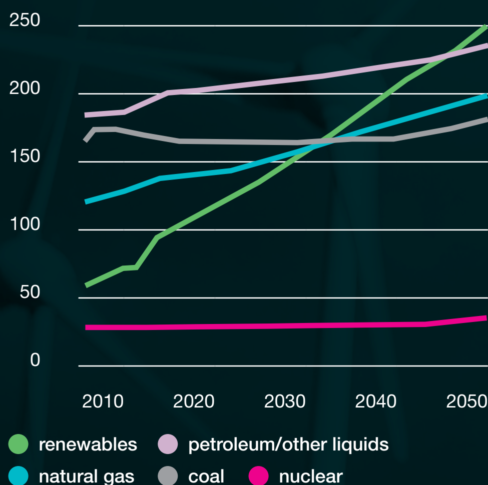
Investing in emerging energy

The future of energy supply is changing. Demand is growing for cleaner, more efficient energy that can power electricity production. Renewables, along with gas, will play a key role in satisfying this demand, while oil will continue to dominate the products and petrochemicals markets.

This year's acquisition of Pitreadie provides Parkmead with access to renewable energy opportunities. The renewables sector is a natural expansion of the Group's energy operations and balances Parkmead's asset portfolio to take advantage of this exciting new sector.

Parkmead has an exceptional team of scientific and commercial experts, who have a track record of good decision-making and successful delivery of projects over many years. Within our team of economists, engineers and geoscientists there is a deep reservoir of energy knowledge that we believe can be applied to the fast-growing renewables sector.

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



Source: (U.S. EIA)

One of the large areas of land owned by Pitreadie spans 1,238 acres and is located some 15 miles west of Aberdeen. Excellent average wind speeds exist on the site of between 7-10 m/s. This site lies adjacent to the Mid Hill Wind Farm which contains 33 Siemens manufactured and maintained wind turbines. Woodland planting has already been undertaken on part of the large Pitreadie site, which has the potential for a commercial biomass supply operation. Parkmead will be conducting a detailed analysis for optimising the land use of the various sites within the Pitreadie portfolio.

Parkmead recognises the transition that is taking place in the energy market, supported by legislation, from fuels with a higher carbon content to lower carbon alternatives such as natural gas and renewables. Natural gas and renewables play key roles in the generation of electricity.

"The fast-growing renewables sector is a natural expansion of the Group's energy operations"

2035

Member of Vision 2035 campaign led by Oil & Gas UK

50%

Estimated increase in world energy usage by 2050 (U.S. EIA)

28%

Renewables will make up 28% of global primary energy consumption by 2050 (U.S. EIA)

Investing across the energy sector

Parkmead is investing across the Group's energy portfolio, most recently with the Platypus gas project where a draft Field Development Plan and Environmental Statement were submitted to the respective regulatory bodies.

Our work at Platypus has focused on efficiency, with lower capital expenditure and optimal use of existing infrastructure.

A similar approach has been taken at the Greater Perth Area (GPA) project where work has focused on optimum export routes and capital efficiency. GPA is one of the largest undeveloped oil projects in the UK North Sea, with access to up to 100 million barrels of oil reserves.

Central North Sea

New seismic was purchased and processed covering the acreage around the exciting Skerryvore prospect this year. This will help to refine hydrocarbon targets.

Southern North Sea

Blackadder is a low-risk gas prospect in this area targeting up to 170 Bcf. We plan to complete a number of studies to refine our understanding of Blackadder.

West of Shetland

Parkmead has identified three very large prospects in this prolific area. Davaar, Sanda North and Sanda South lie in adjacent licences and have been de-risked by previous drilling.

- Oil production/development
- Gas production/development
- Exploration prospects

20

Year producing life of Platypus gas field

105

Bcf mid case recoverable gas reserves at Platypus

100%

Natural gas producer since 2016

Energy insight with transformational benchmarking

Aupec, Parkmead's wholly owned subsidiary, is a world-renowned energy consultancy with over 30 years of experience in the energy sector. Aupec's team of consultants has advised over 100 governments, national oil companies, majors and independents across the world.

Today Aupec specialises in technical benchmarking for its global client base. Parkmead has been developing Aupec over recent years and this has resulted in significant growth in Aupec's revenue. Parkmead will continue to build the business, potentially expanding Aupec's specialist expertise beyond the energy sector.

2019 has seen a new re-branding project completed and plans are underway to increase the expert staff base.

“Aupec’s expertise provides detailed insights for our clients. They are able to use these results to improve how they operate and make more informed decisions.”

Production, appraisal and exploration assets

LICENCE	BLOCK DESIGNATION	FIELD / DISCOVERY	PROSPECT / OPPORTUNITY	OPERATOR	PARKMEAD EQUITY %	CO-VENTURER(S)
UK CENTRAL NORTH SEA						
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 22.5%, Dyas 17.5%, Spike 15%, Jersey 15%
P. 2218	20/3c & 20/4a	Marten/Polecat		Parkmead	100.00	
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						
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	Cluff 25%
UK WEST OF SCOTLAND						
P. 2296	205/13		Sanda North/ Sanda South	Parkmead	100.00	
P. 2406	205/12		Davaar	Parkmead	100.00	
NETHERLANDS ONSHORE						
Andel Va		Brakel Ottoland Wijk en Aalburg		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Andel Vb		Kerkwijk		Vermilion Energy	7.50	Vermilion Energy 22.5%, EBN 40%, NAM 30%
Drenthe IV		Grolloo		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Drenthe V		Geesbrug		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Drenthe VI		Diever West		Vermilion Energy	7.50	Vermilion Energy 52.5%, EBN 40%
Papekop		Papekop		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%

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 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 in 2013. He 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. Prior to this, he served as Group Finance Manager, responsible for all aspects of Parkmead's external financing, from strategic planning through to successful execution. Ryan previously worked as a financial analyst on oil and gas projects in the UK, Dutch and Norwegian sectors of the North Sea, in addition to numerous ventures across onshore and offshore Africa.

Dr Colin Percival

Technical Director

Colin has more than 35 years of experience in the oil and gas industry. He began his career as a sedimentologist with BP in international operations and went on to lead a series of BP exploration teams evaluating various plays across the UKCS, which resulted in a number of significant discoveries. Colin was a member of the Dana Petroleum plc management team from 2003 to 2011, with responsibility for the technical work on all Dana operated assets and new ventures. He joined Parkmead in 2011, where he leads the Company's experienced exploration and technical group. Colin played a key role in Parkmead's success in the UKCS 27th, 28th and 30th Licensing Rounds.

Philip Dayer

Non-Executive Director

Philip has over 30 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 or Head of Corporate Finance with Barclays de Zoete, Citigroup Scrimgeour Vickers, ANZ Grindlays and Société Générale. Latterly, whilst 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.

Ian Rawlinson

Non-Executive Director

Ian has over 30 years of experience in banking and investment, in public and private companies, including working with Lazard Brothers, Robert Fleming, Fleming Family & Partners and Dana Petroleum plc. Ian read law at Cambridge and was called to the Bar in 1981. He was a member of the senior management team of Flemings in Southern Africa, and was Chief Operating Officer of Fleming Family and Partners on its establishment, holding various senior positions in that group. Since 2005 he has held a wide range of senior independent roles in the commercial and charitable sectors. Ian is a Practising Fellow of the Centre for Social Innovation at the Cambridge Judge Business School and was a non-executive director of Dana Petroleum plc from 2005 through to its successful sale.

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). The Group currently produces from four gas fields in the Netherlands and holds interests in a total of 26 exploration and production blocks. Parkmead has significant oil and gas development opportunities across the UK and Netherlands, including the Diever West gas field in the Netherlands, the Greater Perth Area oil development located in the Central North Sea and Platypus gas project in the Southern North Sea. The Group also holds interests in a portfolio of exploration prospects alongside leading international partners. 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 2019, 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 prospects 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 guarantee 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 and continues discussions with debt providers.

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

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 production, reserves and blocks under licence, whilst always maintaining a strong net asset base. These are included in financial and management information reported to the Board and are deemed to be the most relevant key performance indicators to report at the year end. Further discussion of the year-on-year performance measures is set out in the Chairman's Statement.

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

Thomas Cross
Director
14 November 2019

Directors' Report

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2019.

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 profit for the financial year after taxation amounted to £2.4 million (2018: £7.1 million loss). The Directors do not recommend the payment of a final dividend (2018: £nil).

Future developments

The future developments and events since the end of year are set out in the Chairman's Statement and Strategic Report. Post year end date events can be found in Note 31 to the financial statements.

Directors and their interests

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

T P Cross
C J Percival
R A Stroulger
P J Dayer
D I Rawlinson

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 judgment 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 24 to the financial statements.

Share capital

At 30 June 2019 the total issued ordinary share capital was 98,929,160 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 2019:

	No. of ordinary shares held	% of Ordinary Shares
T P Cross & Affiliates	28,201,172	25.97%
Cavendish Asset Management	9,443,652	8.70%

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.

Directors' Report (continued)

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. For this reason, they 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

Your attention is drawn to the Notice of the Annual General Meeting to be held on 19 December 2019. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2019
- 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
14 November 2019

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 2019.

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 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 seven 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

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 three 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.

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.

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 three 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, D I Rawlinson and T P Cross. R A Stroulger attends by invitation. In the year ended 30 June 2019 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.

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 D I Rawlinson, the Committee Chairman, P J Dayer and T P Cross. In the year ended 30 June 2019 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. Directors are available at the Annual General Meeting where shareholders can ask questions or 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
14 November 2019

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 judgments 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 2019 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 2019 and of the Group's profit 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 SME 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

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 and key observations arising 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.
- Performed sensitivity analysis on client assumptions regarding reserves and production profile.

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 judgement, 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 and key observations arising with respect to that risk

We focused on this area as it involves complex and subjective judgements 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 licences to determine whether terms and conditions have been met in the current year and historically.
- Reviewed outcome of evaluation findings, including reference to third party reports, and management's assessment of future plans for these assets.
- Reviewed the revenues in the models (see separate key audit matter).
- Reviewed the models relating to evaluation assets. The assumptions to which the models were most sensitive were the commodity prices, discount rate, operating and capital expenditure cash flows and rates of recovery. As part of this work we corroborated management's assumptions with reference to historical data and, where applicable, external benchmarks noting the assumptions used fell within an acceptable range. In performing our procedures, we used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied.
- Performed sensitivity analysis on the key assumptions used in the models.

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 judgement, 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 and key observations arising with respect to that risk

We focused on this area as it involves complex and subjective judgements 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).
- Corroborated management's assumptions (including commodity prices, discount rate, production volumes and cash flows) with reference 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.
- Performed sensitivity analysis on the key assumptions used in the models.

Key audit matter

Carrying value of decommissioning provisions (see Note 22)

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 and key observations arising with respect to that risk

We focused on this area as it involves complex and subjective judgements 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.
- Corroborated movements in the provisions to third party evidence and assessed appropriateness of the third parties relied upon.

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 and key observations arising 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).
- Corroborated management's assumptions with reference 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.
- Performed sensitivity analysis on the key assumptions used in the models.

Materiality

The materiality for the Group financial statements as a whole was set at £2,400,000. 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 2.9% 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 £1,560,000. 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 1.7% 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 of the Group's reporting components to audits for group reporting purposes.

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 26, 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.

Stephen Drew
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London EC2R 6AY
14 November 2019

Group statement of profit or loss

for the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Revenue	3	**8,269**	7,022
Cost of sales		**(2,524)**	(2,960)
Gross profit		**5,745**	4,062
Exploration and evaluation expenses		**(171)**	(5,244)
Administrative expenses		**(436)**	(4,153)
Operating profit/(loss)	4	**5,138**	(5,335)
Finance income	9	**209**	92
Finance costs	10	**(546)**	(645)
Profit/(loss) before taxation		**4,801**	(5,888)
Taxation	11	**(2,385)**	(1,259)
Profit/(loss) for the year attributable to the equity holders of the Parent		**2,416**	(7,147)
Profit/(loss) per share (pence			
Continuing operations			
Basic	12	**2.44**	(7.22)
Diluted	12	**2.43**	(7.22)

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

for the year ended 30 June 2019

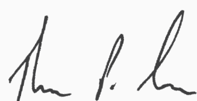
	Notes	Group		Company	
		2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Profit/(loss) for the year		**2,416**	(7,147)	**251**	(3,513)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Changes in financial assets at fair value through other comprehensive income	17	**651**	2,473	**651**	2,473
		651	2,473	**651**	2,473
Income tax relating to components of other comprehensive income		**–**	–	**–**	–
Other comprehensive income for the year, net of tax		**651**	2,473	**651**	2,473
Total comprehensive income/(loss) for the year attributable to the equity holders of the Parent		**3,067**	(4,674)	**902**	(1,040)

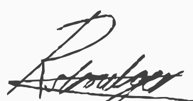
Group and company statement of financial position

as at 30 June 2019

	Notes	Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Non-current assets					
Property, plant and equipment: development & production	13	**11,657**	12,292	**–**	–
Property, plant and equipment: other	13	**165**	38	**154**	30
Goodwill	14	**2,174**	2,174	**–**	–
Exploration and evaluation assets	14	**34,052**	30,308	**–**	–
Investment in subsidiaries and joint ventures	15	**–**	–	**23,922**	23,922
Financial assets at fair value through other comprehensive income	17	**–**	5,700	**–**	5,700
Interest bearing loans	18	**–**	2,930	**–**	2,930
Deferred tax assets	11	**3**	3	**–**	–
Total non-current assets		**48,051**	53,445	**24,076**	32,582
Current assets					
Trade and other receivables	19	**658**	1,294	**51,093**	45,388
Interest bearing loans	18	**2,900**	–	**2,900**	
Cash and cash equivalents	20	**30,666**	23,804	**11,222**	10,590
Current tax assets		**–**	343	**–**	–
Total current assets		**34,224**	25,441	**65,215**	55,978
Total assets		**82,275**	78,886	**89,291**	88,560
Current liabilities					
Trade and other payables	21	**(4,560)**	(5,407)	**(3,701)**	(4,571)
Current tax liabilities		**(1,563)**	(1,279)	**–**	–
Total current liabilities		**(6,123)**	(6,686)	**(3,701)**	(4,571)
Non-current liabilities					
Trade and other payables	21	**(5)**	(275)	**(5)**	(271)
Deferred tax liabilities	11	**(1,284)**	(1,284)	**–**	–
Decommissioning provisions	22	**(6,607)**	(6,417)	**–**	–
Total non-current liabilities		**(7,896)**	(7,976)	**(5)**	(271)
Total liabilities		**(14,019)**	(14,662)	**(3,706)**	(4,842)
Net assets		**68,256**	64,224	**85,585**	83,718
Equity attributable to equity holders					
Called up share capital	25	**19,533**	19,533	**19,533**	19,533
Share premium		**87,805**	87,805	**87,805**	87,805
Revaluation reserve		**–**	(325)	**–**	(325)
Retained deficit		**(39,082)**	(42,789)	**(21,753)**	(23,295)
Total Equity		**68,256**	64,224	**85,585**	83,718

The profit after tax of the Parent Company for the year was £251,000 (2018: loss £3,513,000). The financial statements on pages 31 to 74 were approved by the Board of Directors on 14 November 2019 and signed on its behalf by:





Thomas Cross
Director

Ryan Stroulger
Director

Group statement of changes in equity

for the year ended 30 June 2019

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained deficit £'000	Total £'000
At 1 July 2017	19,533	87,805	(2,798)	(35,660)	68,880
Loss for the year	–	–	–	(7,147)	(7,147)
Changes in financial assets at fair value through other comprehensive income	–	–	2,473	–	2,473
Total comprehensive income/(loss) for the year	–	–	2,473	(7,147)	(4,674)
Share–based payments	–	–	–	18	18
At 30 June 2018	19,533	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**

Company statement of changes in equity

for the year ended 30 June 2019

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained deficit £'000	Total £'000
At 1 July 2017	19,533	87,805	(2,798)	(19,800)	84,740
Loss for the year	–	–	–	(3,513)	(3,513)
Changes in financial assets at fair value through other comprehensive income	–	–	2,473	–	2,473
Total comprehensive income/(loss) for the year	–	–	2,473	(3,513)	(1,040)
Share-based payments	–	–	–	18	18
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**

Group and company statement of cashflows

for the year ended 30 June 2019

	Notes	Group		Company	
		2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Cashflows from operating activities					
Continuing activities	27	**4,733**	2,973	**(6,629)**	588
Taxation paid		**(1,779)**	(777)	**–**	–
Net cash generated by/(used in) operating activities		**2,954**	2,196	**(6,629)**	588
Cash flow from investing activities					
Interest received		**239**	62	**150**	28
Acquisition of exploration and evaluation assets		**(3,744)**	(1,892)	**–**	–
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		**(63)**	(81)	**–**	–
Disposal of property, plant and equipment: development and production		**211**	–	**–**	–
Acquisition of property, plant and equipment: other		**(190)**	(19)	**(184)**	(12)
Advance of loans		**–**	(2,900)	**–**	(2,900)
Net cash generated by/(used in) investing activities		**2,804**	(4,830)	**6,317**	(2,884)
Cash flow from financing activities					
Interest paid		**(45)**	(34)	**–**	(1)
Proceeds from loans and borrowings		**941**	–	**941**	–
Net cash generated by/(used in) financing activities		**896**	(34)	**941**	(1)
Net increase/(decrease) in cash and cash equivalents		**6,654**	(2,668)	**629**	(2,297)
Cash and cash equivalents at beginning of year		**23,804**	26,396	**10,590**	12,889
Effect of foreign exchange rate differences		**208**	76	**3**	(2)
Cash and cash equivalents at end of year		**30,666**	23,804	**11,222**	10,590

Notes to the financial statements

1. Corporate information

The consolidated financial statements of the Group for the year ended 30 June 2019 were authorised for issue by the Board of Directors on 14 November 2019 and the Statement of Financial Position was signed on the Board's behalf by T P Cross and R A Stroulger. The Group is a public limited company incorporated in England & Wales. The Company's shares are publicly traded on the AIM, part of the London Stock Exchange. The registered office is located at 6 St Andrew Street, London, EC4A 3AE.

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 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are new standards applicable and mandatory for the year ended 30 June 2019. The new standards did not have a material impact on the statutory accounts for the year ended 30 June 2019.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019.

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. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. 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.

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.

2. Accounting policies (continued)

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 32.

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 control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from services provided consists of the value of work delivered to clients during the year exclusive of VAT and is recognised as performance obligations are met in accordance with the terms of the contract which are primarily on a time and materials basis. Revenue is wholly attributable to the principal activities of the Group. The Group adopt IFRS 15 principles in recognising the revenue. 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 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. 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.

2. Accounting policies (continued)

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.

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 grouped CGU level. The current CGU consists of the Group's whole E&E portfolio. 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.

2. Accounting policies (continued)

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 2019 the rate used was 8% (2018: 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.

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 reservoir engineers. 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 (2018: 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.

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%;
- discount rate 8%; and
- decommissioning cost estimates (and the basis for these estimates)

See Note 22 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.

2. Accounting policies (continued)

Segment reporting

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

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.

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.

2. Accounting policies (continued)

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.

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 26).

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.

Employee Benefit Trust

The Company provided loan finance to an Employee Benefit Trust such that beneficiaries could purchase shares in the Group. The costs of running the Trust were charged to the statement of profit or loss. During the year the Employee Benefit Trust was closed and the gain arising on repayment of employee share based loans was recognised through the Group and Company Statements of Changes in Equity.

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	5 years
Fixtures, fittings and computer equipment	3 – 5 years

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

2. Accounting policies (continued)

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.

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

2. Accounting policies (continued)

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.

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.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually (as at 30 June) either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

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.

2. Accounting policies (continued)

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 are measured at amortised cost as 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.

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss unless disposed of. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group considers classification as fair value through other comprehensive income to be more relevant than classification as fair value through profit or loss given the Group's primary focus is on earning revenue from the production of oil and gas and the provision of services to the oil and gas production and processing industry rather than through investment in shares. The Group elected to classify irrevocably its equity investments under this category.

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.

Balance sheet reclassification

IFRS 15 requires contract assets and contract liabilities for individual customer contracts to be presented on a net basis. Prior to the adoption of IFRS 15 such balances were presented gross. IFRS 15 also requires any unconditional rights to consideration to be disclosed separately as a contract asset.

At the date if initial application, the following presentation and classification changes were made to the consolidation balance sheet line items as a result of applying IFRS 15 (Note 21).

Work in progress was reclassified to 'Contract Assets'.

Contract assets

Contract assets represent right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Upon achieving billing milestones, if any, in accordance with the contractual terms and acceptance of goods or services received by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

2. Accounting policies (continued)

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.

Contract liabilities

A contract liability is the obligation to transfer goods or services to 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 transfers goods or services 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 performs under the contract.

Trade payables

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

Leases

Rentals payable and receivable under operating leases are charged or credited to the statement of profit or loss 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.

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
- Oil and Gas: Development and Production Assets – Depreciation and Impairment
- Oil and Gas: Decommissioning Provisions
- Employee Benefits: Share Based Payments
- Investment in subsidiaries: Company's investments in subsidiaries and receivables due from group companies - Impairment

Accounting judgements

- Oil and Gas expenditure – capitalisation

2. Accounting policies (continued)

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 2019 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities.

- IFRS 9 Financial Instruments effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers effective 1 January 2018
- Clarifications to IFRS 15 Revenue from Contracts with Customers effective 1 January 2018
- Amendment to IFRS 2 classifications and measurement of share based payments effective from 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective from 1 January 2018
- Annual improvements to IFRS 2014-2016 Cycle effective from 1 January 2018

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.

- 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 2020
- Amendments to IFRS 3: Definition of a Business effective from 1 January 2020
- Amendments to IAS 1 and IAS 8: Definition of Material effective from 1 January 2020

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. 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 existing accounting for operating leases, it will also impact the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. The impact of the adoption of the new standard at 1 July 2019 will be dependent on factors such as the Group's lease contracts at that date and the discount rate applied in accordance with IFRS 16, however the Group does not expect a significant impact on the financial statements.

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

3. Revenue

	2019 £'000	2018 £'000
An analysis of the Group's revenue is as follows:		
Revenue recognised at a point in time		
Gas sales	**6,937**	5,676
Condensate sales	**138**	137
	7,075	5,813
Revenue recognised over time		
Rendering of energy economics services	**1,194**	1,209
Total revenue	**8,269**	7,022

4. Operating profit/(loss)

	2019 £'000	2018 £'000
The operating profit/(loss) is stated after charging/(crediting):		
Pre-award exploration expenditure	**149**	276
Loss on disposal of development and production assets	**22**	–
Exploration expenditure written off	**–**	4,966
Depreciation of property, plant and equipment	**217**	536
Share based (credit)/payment (Note 26)	**(1,062)**	2,506
Operating lease rentals: other	**297**	292
Foreign exchange gain	**(181)**	(16)

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:

	2019 £'000	2018 £'000
Audit fees payable to the auditor for the audit of the Company's annual financial statements	**48**	49
Audit of the Company's subsidiaries	**33**	30
Total audit fees	**81**	79
Tax services	**–**	9
Audit related services	**4**	8
Total non-audit fees	**4**	17
Total audit and non-audit fees	**85**	96

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 two 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.

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 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

6. Operating segment information (continued)

Year ended 30 June 2018	Oil and Gas Exploration and Production £'000	Energy Economics £'000	Adjustments and eliminations £'000	Consolidated £'000
Revenue				
External customer	5,813	1,209	–	7,022
Total revenue	5,813	1,209	–	7,022
Results				
Operating (loss)/profit	(5,748)	413	–	(5,335)
Finance income	79	13	–	92
Finance costs	(643)	(2)	–	(645)
Segment (loss)/profit	(6,312)	424	–	(5,888)
Operating assets	76,890	3,458	(1,462)	78,886
Operating liabilities	(15,794)	(330)	1,462	(14,662)
Other disclosures				
Capital expenditure	1,986	6	–	1,992
Depreciation and amortisation	535	1	–	536

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

Included in revenues arising from the sale of oil and gas exploration and production are revenues of £6,937,000 (2018: £5,676,000) which arose from the Group's largest customer.

Geographic information
Revenues from external customers

	2019 £'000	2018 £'000
Europe	**7,600**	6,360
North America	**426**	418
Rest of the World	**243**	244
Total revenue per Group statement of profit or loss	**8,269**	7,022

The revenue information is based on the location of the customer. Included in revenues from Europe were sales in the Netherlands of £6,937,000 (2018: £5,856,000) and sales in the United Kingdom of £183,000 (2018: £153,000).

Non-current assets

	2019 £'000	2018 £'000	2017 £'000
Europe	**48,048**	44,812	51,604
North America	**–**	–	–
Rest of the World	**–**	–	–
Total	**48,048**	44,812	51,604

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 £4,886,000 (2018: £5,348,000) and assets held in the United Kingdom of £43,162,000 (2018: £39,464,000).

7. Staff costs

Employee benefits expense:

Group	2019 £'000	2018 £'000
Wages and salaries	**1,451**	1,390
Social security costs	**175**	164
Other pension costs	**127**	113
Staff costs (before share based payments)	**1,753**	1,667
(Credit)/charge for share based payments (Note 26)	**(1,062)**	2,506
Total staff costs	**691**	4,173

Total staff costs include a credit in respect of a non-cash revaluation of share appreciation rights (SARs) and share based payments totalling £1,062,000 (2018: £2,506,000 charge). 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 2018 and 30 June 2019.

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

	2019 No.	2018 No.
Management and consultants	**10**	9
Technical	**3**	4
Admin, Project & IT support	**10**	7
	23	20

8. Directors' emoluments

Directors remuneration in aggregate comprised:	2019 £'000	2018 £'000
Aggregate emoluments	**796**	781
Company pension contributions to money purchase schemes	**9**	9
	805	790

During the year one (2018: one) Directors accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £9,000 (2018: £9,000).

No director exercised share appreciation rights in the period (2018: nil). No director exercised share options in the period (2018: 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 2019 £'000	Total 2018 £'000
T P Cross	506	3	–	**509**	509
R A Stroulger	94	–	9	**103**	89
C J Percival	151	2	–	**153**	152
P J Dayer	20	–	–	**20**	20
D I Rawlinson	20	–	–	**20**	20
Total	791	5	9	**805**	790

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 26. No SARs were exercised in the year.

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 SARs held by each director as at 30 June 2018:

	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 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

Details of outstanding share options held by directors as at 30 June 2018:

	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 26. 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

	2019 £'000	2018 £'000
Bank interest receivable	**137**	51
Loan interest received	**72**	41
	209	92

10. Finance costs

	2019 £'000	2018 £'000
Unwinding of discount on decommissioning provision	**501**	597
Interest on late paid tax	**18**	45
Interest payable on loans and borrowings	**27**	3
	546	645

11. Taxation

a) Income tax

The major components of income tax expense for the years ended 30 June 2019 and 2018 are:

	2019 £'000	2018 £'000
Current tax:		
Corporation tax	**–**	(231)
Adjustments in respect of current income tax of previous periods	**–**	(112)
Overseas current taxation	**2,385**	1,602
Total current income tax	**2,385**	1,259
Deferred tax:		
Origination and reversal of timing differences	**–**	–
Total deferred income tax charge	**–**	–
Income tax expense reported in the statement of profit or loss	**2,385**	1,259

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

	2019 £'000	2018 £'000
Profit/(loss) on ordinary activities before tax	**4,801**	(5,888)
Profit/(loss) on ordinary activities multiplied by the Group's applicable rate of corporation tax in the UK of 40% (2018: 40%)	**1,920**	(2,355)
Effects of:		
Capital allowances in excess of depreciation	**–**	–
Expenses not deductible for tax purposes	**5**	4
Income not taxable	**–**	–
Profits taxed outside ring-fence	**(143)**	648
Deferred tax not recognised	**(1,702)**	–
Group loss relief	**(80)**	–
Tax losses not utilised	**–**	583
Ring-fenced tax losses not utilised	**–**	1,120
R&D tax credits	**–**	(343)
Overseas tax suffered	**2,385**	1,602
Total tax expense for the year	**2,385**	1,259

c) Deferred income taxation

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred tax asset				
At 1 July	**3**	3	**–**	–
Income statement charge	**–**	–	**–**	–
At 30 June	**3**	3	**–**	–
Deferred tax liability				
At 1 July	**1,284**	1,284	**–**	–
Tax income recognised in the statement of profit or loss	**–**	–	**–**	–
At 30 June	**1,284**	1,284	**–**	–

11. Taxation (continued)

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

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Deferred tax asset				
Accelerated capital allowances	**3**	3	**–**	–
	3	3	**–**	–
Deferred tax liability				
Accelerated capital allowances	**–**	–	**–**	–
Fair value gains	**(1,284)**	(1,284)	**–**	–
	(1,284)	(1,284)	**–**	–
Deferred tax liability, net	**(1,281)**	(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 £128.0 million (2018: £121.3 million), non-ring fenced trading losses available are £0.1 million (2018: £1.0 million), excess management expenses available are £31.3 million (2018: £35.3 million), capital losses available are £65.2 million (2018: £71.6 million) and unrealised capital losses on financial assets at fair value through other comprehensive income of £3 million (2018: £3 million).

12. Profit/(loss) per share

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

	2019	2018
Profit/(loss) per 1.5p ordinary share from continuing operations (pence)		
Basic	**2.44p**	(7.22)p
Diluted	**2.43p**	(7.22)p

The calculations were based on the following information:

	2019 £'000	2018 £'000
Profit/(loss) attributable to ordinary shareholders		
Continuing operations	**2,416**	(7,147)
Total	**2,416**	(7,147)
Weighted average number of shares in issue		
Basic weighted average number of shares	**98,929,160**	98,929,160
Dilutive potential ordinary shares		
Share options	**1,791,105**	–

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

Diluted profit/(loss) per share

Profit/(loss) per share requires presentation of diluted profit/(loss) 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	Short leasehold property £'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

Abandonment Asset

The abandonment asset adjustment above reflects the decrease 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 £7,648,000 (2018: £7,700,000) 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%	$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 43% in long-term oil price would result in impairment of the asset.

13. Property, plant and equipment (continued)

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

The comparable table for 2018 is detailed below:

Group	Development and production £'000	Short leasehold property £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 July 2017	47,657	2	570	48,229
Additions	81	–	19	100
Disposals	–	–	(23)	(23)
Change in estimate of abandonment asset	(3,282)	–	–	(3,282)
At 30 June 2018	**44,456**	**2**	**566**	**45,024**
Depreciation				
At 1 July 2017	31,664	1	516	32,181
Depreciation charged in the year	500	–	36	536
Depreciation eliminated on disposal	–	–	(23)	(23)
At 30 June 2018	**32,164**	**1**	**529**	**32,694**
Net book amount				
At 30 June 2018	**12,292**	**1**	**37**	**12,330**
At 30 June 2017	15,993	1	54	16,048

13. Property, plant and equipment (continued)

Abandonment Asset

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

Company	Short leasehold property £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 July 2017	2	492	494
Additions	–	12	12
At 30 June 2018	**2**	**504**	**506**
Depreciation			
At 1 July 2017	1	441	442
Depreciation charged in the year	–	34	34
At 30 June 2018	**1**	**475**	**476**
Net book amount			
At 30 June 2018	**1**	**29**	**30**
At 30 June 2017	1	51	52

14. Intangible assets

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

14. Intangible assets (continued)

The comparable table for 2018 is detailed below:

Group	Exploration and Evaluation assets £'000	Other intangible assets £'000	Goodwill £'000	Total £'000
Cost				
At 1 July 2017	33,382	246	2,174	35,802
Additions	1,892	–	–	1,892
Disposals	–	(246)	–	(246)
Exploration write-off	(4,966)	–	–	(4,966)
At 30 June 2018	**30,308**	**–**	**2,174**	**32,482**
Amortisation and impairment				
At 1 July 2017	–	246	–	246
Eliminated on disposal	–	(246)	–	(246)
At 30 June 2018	**–**	**–**	**–**	**–**
Net book amount				
At 30 June 2018	**30,308**	**–**	**2,174**	**32,482**
At 30 June 2017	33,382	–	2,174	35,556

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:

	2019 £'000	2018 £'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 2.5% 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.

14. Intangible assets (continued)

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 2019 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £620,000. If revenues fell from the assumed level by 11% 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 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 comparable table for 2018 is detailed below:

Company	Subsidiary and joint venture undertakings £'000
Cost or valuation	
At 1 July 2017	23,922
At 30 June 2018	**23,922**
Amortisation and impairment	
At 1 July 2017	–
At 30 June 2018	**–**
Net book amount	
At 30 June 2018	**23,922**
At 30 June 2017	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

The registered office of Aupec Limited and Parkmead (E&P) 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

Acquisitions post year end

Acquisition of Pitreadie Farm Limited

On 26 September 2019, the Group acquired 100% of the issued share capital of Pitreadie Farm Limited ("Pitreadie"), an unlisted company based in Scotland. Pitreadie is a company owning extensive farmland and sites in Scotland with significant renewable energy potential.

Pitreadie owns large areas of land spanning 2,320 acres in Aberdeenshire, Scotland, which have clear, demonstrable potential for the installation of renewable energy technologies. Specific potential has been identified for the installation of numerous wind turbines, a solar farm and a biomass production facility.

Parkmead recognises the transition that is taking place in the energy market, supported by legislation, from fuels with a higher carbon content to lower carbon alternatives such as natural gas and renewables. Natural gas and renewables play key roles in the generation of electricity. In consideration of the above, the Group believes that now is the optimum time to broaden Parkmead's low-cost, low-carbon operations. The renewables sector is a natural expansion of Parkmead's operations and is fully in line with the Group's strategy to increase the balance of Parkmead's portfolio.

The consideration for the acquisition was satisfied by the issue of 9,645,669 new ordinary Parkmead shares. As part of the Acquisition, Parkmead assumed £3.6 million of Bank of Scotland debt currently held by Pitreadie.

The Acquisition constitutes a related party transaction under Rule 13 of the AIM Rules as Linda Cross, wife of Tom Cross, owns 75% of the shares of Pitreadie and had a director loan of £4.3 million with Pitreadie which was settled in ordinary shares as part of the Acquisition.

The acquisition will be accounted for using the purchase method of accounting.

Total consideration was made up as follows:

	2019 £'000
Purchase consideration	
Cash paid	–
Shares issued of 9,645,669 New Ordinary Shares issued on 26 September 2019	**3,521**
Total purchase consideration	**3,521**

The Group is currently performing a review of the Pitreadie's trading position under IFRS and fair value review of Pitreadie's assets and liabilities and will report these within our next published financial statements.

17. Financial assets at fair value through other comprehensive income

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fair value				
At 1 July	**5,700**	3,227	**5,700**	3,227
Gain on revaluation	**651**	2,473	**651**	2,473
Eliminated on disposal	**(6,351)**	–	**(6,351)**	–
At 30 June	**–**	5,700	**–**	5,700

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

Financial assets at fair value through other comprehensive income comprise the following:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Quoted Equity shares				
Equity shares – UK	**–**	5,700	**–**	5,700
Unquoted equity shares				
Equity shares – UK	**–**	–	**–**	–
	–	5,700	**–**	5,700

Quoted equity shares

The Group has investments in listed equity shares. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

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.

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	2019 £'000	2018 £'000
Pound Sterling	**–**	5,700
	–	5,700

18. Interest bearing loans

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Current assets				
Loans issued	**2,900**	–	**2,900**	–
	2,900	–	**2,900**	–
Non-current assets				
Loans issued	**–**	2,930	**–**	2,930
	–	2,930	**–**	2,930

18. Interest bearing loans (continued)

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 has a period of two years, with a fixed interest rate of 2.5 per cent.

£2,900,000 has been lent to Energy Management Associates Limited by The Parkmead Group Plc as at 30 June 2019. Interest charged during the period amounted to £73,000 (2018: £41,000). Interest received in the period was £103,000 (2018: £11,000) and outstanding interest due at 30 June 2019 of £nil (2018: £30,000). There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

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.

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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Current assets				
Trade receivables	**403**	374	**–**	–
Less: loss allowance	**–**	–	**–**	–
Trade receivables - net	**403**	374	**–**	–
Receivables due from group companies	**–**	–	**50,960**	45,280
Other receivables	**77**	53	**–**	–
Prepayments	**178**	867	**133**	108
	658	1,294	**51,093**	45,388

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 £288,000 (2018: £ nil) was due from the Group's largest customer. There is one (2018: nine) other customer who represents more than 5% of the total balance of trade receivables.

Normal payment terms apply to amounts owed by the customers for oil and gas sales. 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.

19. Trade and other receivables (continued)

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

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Pound Sterling	**254**	208	**51,093**	45,388
Other currencies	**404**	1,086	**–**	–
	658	1,294	**51,093**	45,388

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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Unrestricted cash in bank accounts	**25,385**	19,083	**11,222**	10,590
Restricted cash	**5,281**	4,721	**–**	–
	30,666	23,804	**11,222**	10,590

The restricted cash relates to amounts held in trust as security for future decommissioning liabilities under a standard Decommissioning Security Agreement (DSA) covering the Athena asset.

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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Current liabilities				
Trade payables	**619**	376	**409**	266
Amounts owed to group companies	**–**	–	**–**	–
Other taxes and social security costs	**55**	271	**49**	261
Accruals	**3,765**	4,567	**3,243**	4,044
Contract liabilities	**121**	193	**–**	–
	4,560	5,407	**3,701**	4,571

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Non-current liabilities				
Accruals	**5**	275	**5**	271
	5	275	**5**	271

Contract liabilities consist of advance payments from customers and deferred revenue, mainly from rendering of energy economic services.

21. Trade and other payables (continued)

Movements in contract liabilities for the year ended 30 June 2019 are as follows:

	2019 £'000
As at 1 July 2018	–
Effect of adoption of IFRS 15	193
Advance payments received from customers	1,122
Revenue recognised in the period from	
Amounts included in the contract liability at the beginning of the period	(193)
Advance payments applied to current period	(1,001)
As at 30 June 2019	**121**

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2018: 35 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. Decommissioning provisions

	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**

The decommissioning provision of £6,607,000 (2018: £6,417,000) 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 14 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 2018 is detailed below:

	Development and production costs £'000	Total £'000
As at 1 July 2017	9,102	9,102
New provisions and changes in estimates	(3,282)	(3,282)
Unwinding of discount	597	597
As at 30 June 2018	**6,417**	**6,417**

23. 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 as it is considered to be immaterial.

24. 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 2019.

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.

	2019 £'000	2018 £'000
Floating rate financial assets < 1 year	**30,666**	23,804
Total	**30,666**	23,804

At 30 June 2019, short-term deposits were earning interest at a weighted average fixed deposit rate of 0.25% (2018: 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 2019, interest bearing loans were earning interest at a fixed interest rate of 2.50% (2018: 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 2019, 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 £403,000 (2018: £374,000). 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 £2,900,000 (2018: £2,930,000). The Group does not hold collateral as security.

Notes to the financial statements (continued)

24. Financial instruments and financial risk factors (continued)

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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Trade payables and other liabilities				
6 months or less	**4,560**	5,407	**3,701**	4,571
6-12 months	**–**	–	**–**	–
More than 1 year	**5**	275	**5**	271
	4,565	5,682	**3,706**	4,842

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 2019 (2018: 0.6 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 2019 was £13,769,000 (2018: £9,402,000); Company £30,000 (2018: £19,000). A 25% change in Sterling exchange rate will result in a profit or loss pre-tax recognised in the statement of profit or loss of £3,442,000 (2018: £2,351,000) in the Group; Company £8,000 (2018: £5,000).

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 2019 was £nil (2018: £8,000). A 25% change in Sterling exchange rate will result in an increase or decrease of £nil (2018: £2,000) 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 2019. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2019		2018	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Financial assets at amortised cost	**3,558**	**3,558**	4,224	4,224
Financial liabilities at amortised cost	**(4,565)**	**(4,565)**	(5,682)	(5,682)
Financial assets at fair value through other comprehensive income	**–**	**–**	5,700	5,700
	(1,007)	**(1,007)**	4,242	4,242

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.

24. Financial instruments and financial risk factors (continued)

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.

25. Share capital and reserves

	Authorised	
	2019 No.	2018 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	
	2019 No.	2018 No.
Ordinary shares of £0.015 each	**98,929,160**	98,929,160
Deferred shares of £0.049 each	**368,341,780**	368,341,780
	467,270,940	467,270,940
	£'000	£'000
Ordinary shares of £0.015 each	**1,484**	1,484
Deferred shares of £0.049 each	**18,049**	18,049
	19,533	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.

26. Share based payments

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 2019, 13 employees (2018: 11) held share options.

Share options have been awarded under two different schemes:

- Unapproved options
- Unapproved options with vesting conditions

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 2019 is £2,876,000 (2018: £3,912,000).

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 2019 is £176,000 (2018: £184,000).

(Credit)/expense arising from share based payments

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

	2019 £'000	2018 £'000
Equity-settled share based payments	**24**	18
Cash-settled share based payments	**(1,086)**	2,488
	(1,062)	2,506

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 2018 and 30 June 2019.

There have been no cancellations or modifications to any plans during 2019 or 2018. No share options were forfeited in 2019 (2018: nil).

Movements in the year

The movement in share option awards during the year ended 30 June 2019 is as follows:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**1,722,228**	**£0.36**	1,177,628	£0.36
Granted	**120,000**	**£0.35**	544,600	£0.35
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Forfeited	**–**	**–**	–	–
Outstanding at 30 June	**1,842,228**	**£0.36**	1,722,228	£0.36
Exercisable at 30 June	**1,177,628**	**£0.36**	200,000	£0.21

26. 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	2019	2018
1 January 2020	£0.19	**133,333**	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**	–
		1,842,228	1,722,228

The options outstanding at 30 June 2019 had a weighted average remaining contractual life of 5 years (2018: 6 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
January 2010	£0.14	£0.19	69%	0 years	10 years	0%	3.93%	£0.11
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 2018	£0.63	£0.35	54%	3 years	10 years	0%	1.56%	£0.41
January 2019	£0.50	£0.35	45%	3 years	10 years	0%	1.27%	£0.28

Volatility was calculated from an average of the Group's shares monthly volatility from March 2000.

The movement in SARs during the year ended 30 June 2019 is as follows:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**9,314,068**	**£0.39**	6,424,668	£0.41
Granted	**–**	**–**	2,889,400	£0.35
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Forfeited	**–**	**–**	–	–
Outstanding at 30 June	**9,314,068**	**£0.39**	9,314,068	£0.39
Exercisable at 30 June	**7,869,368**	**£0.39**	6,424,668	£0.41

26. Share based payments (continued)

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%

The fair value of the SARs granted at 30 June 2018 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 2018	Exercise price	Volatility	Vesting Period	Expected life	Expected dividend yield	Risk free rate
December 2015	6,424,668	£0.65	£0.41	43%	1 year	10 years	0%	1.32%
December 2017	1,444,700	£0.65	£0.35	56%	1 year	10 years	0%	1.32%
December 2017	1,444,700	£0.65	£0.35	56%	2 years	10 years	0%	1.32%

27. Notes to the statement of cashflows
Reconciliation of operating profit/(loss) to net cash flow from continuing operations

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Operating profit/(loss)	**5,138**	(5,335)	**130**	(3,557)
Depreciation	**217**	536	**60**	34
Amortisation and exploration write off	**–**	4,966	**–**	–
Disposal of development and production assets	**22**	–	**–**	–
Provision for equity settled share based payments	**24**	18	**24**	18
Currency translation adjustments	**(208)**	(76)	**(3)**	2
(Increase)/decrease in amounts due from group companies	**–**	–	**(5,680)**	1,332
Decrease/(increase) in receivables	**636**	(368)	**(23)**	7
(Decrease)/increase in payables	**(1,096)**	3,232	**(1,137)**	2,752
Net cash flow from operations	**4,733**	2,973	**(6,629)**	588

28. Reconciliation of liabilities arising from financing activities

The Group and Company have no liabilities from financing activities.

29. Other financial commitments

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

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Land and buildings	
	2019 £'000	2018 £'000
Within one year	**284**	284
Within two to five years	**803**	977
More than five years	**147**	257
	1,234	1,518

30. 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 £1,938,000 (2018: £1,517,000). The Parkmead Group plc received dividends from subsidiaries of £nil (2018: £nil).

Any balances outstanding at 30 June 2019 and 2018 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. Rents charged during the period amounted to £284,000 (2018: £284,000).

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.

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, together with D Rose, director of Aupec Limited. Information regarding their compensation is given below in aggregate for each category specified in IAS 24 Related Party Disclosures:

	2019 £'000	2018 £'000
Short-term employee benefits	**837**	781
Post-employment pension benefits	**15**	99
Share-based payment transactions	**(1,086)**	2,496
	(234)	3,376

31. Post year end date events

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.

Acquision of Pitreadie Farm Limited

On 30 August 2019, The Parkmead Group Plc announced that it had reached an agreement on the terms of a recommended offer under which The Parkmead Group plc will acquire the entire issued ordinary share capital of Pitreadie Farm Limited.

On 26 September 2019, all outstanding conditions in connection with the acquisition of Pitreadie Farm Limited were satisfied. In accordance with the terms of the transaction, 9,645,669 new ordinary shares of 1.5 pence each were admitted to trading on AIM.

The financial impact of the business combination is disclosed in Note 16.

Notes to the financial statements (continued)

32. Jointly Controlled Assets

Fields in production or under development as at 30 June 2019:

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 2019:

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

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