



# FUTURE ENERGY **IN FOCUS**

Annual Report 2021

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# ENERGY<sup>🌐</sup> EXPERTS

## Focused on Future Energy

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



# A Decade of Milestones

After a successful decade establishing a balanced energy group, we look back at key milestones during Parkmead's first 10 years of growth



**MARCH 2012**

**Parkmead acquires stakes in six gas and oil fields and achieves first production**



**AUGUST 2012**

**Acquisition of DEO Petroleum plc**



**OCTOBER 2012**

**Parkmead awarded stakes in 25 blocks in the UKCS 27th Licensing Round**



**JUNE 2013**

**Acquisition of Lochard Energy plc**



**SEPTEMBER 2014**

**Diever West gas discovery made**

**FEBRUARY 2018**

**Parkmead increases stake in GPA project to 100%**

**JULY 2021**

**Acquisition of Dutch gas royalty, doubling Parkmead's financial interests**

**NOVEMBER 2015**

**First gas from Diever West**

**AUGUST 2019**

**Expansion into renewable energy sector through large land acquisition**

# Highlights

The Group has delivered a number of key achievements during the financial year despite the significant impact of COVID-19. Parkmead continues to invest in sustainable energy projects for future growth.

**“Parkmead’s experienced and resourceful team are building a resilient and balanced energy group.”**

**Tom Cross**  
Executive Chairman

**Acquisition of gas royalty in the Netherlands**



**39% increase in gross profit with a gross margin of 49%**



**33% increase in revenue in H2 2021 compared to H1, following gas price recovery**



**Studies underway for large onshore wind farm development**



**£4 million raised from non-core land holdings**



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# Chairman's Statement

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**“It is a measure of Parkmead’s proven team and carefully managed strategy that when the sector experiences historical lows in commodity prices, and tough market conditions, the Group remains in such a strong position.”**

**Tom Cross**

Executive Chairman  
25 November 2021

2021 has been an important year for Parkmead as we recover from the COVID-19 pandemic. Parkmead’s experienced and resourceful team ensured that the Group was able to quickly transition to remote working to cope with the COVID-19 restrictions, where necessary, and demonstrated commitment and innovation to developing new work programmes to support the future growth of the business. This, combined with a carefully managed business strategy, ensured that the Group was resilient during the historical lows in commodity prices and difficult market conditions during the year. The Group’s gas production also remained uninterrupted throughout national and local COVID-19 restrictions providing a strong position that meant we were able to capitalise on these conditions to make a producing gas acquisition.

We also continued to make a number of important steps in progressing our strategy to balance the Group’s operations through initiating new work programmes, refining development plans and lowering our operational costs. Parkmead is now a more resilient company with a very positive outlook for the years ahead.

## **Financial Performance**

The Group’s revenue for the year to 30 June 2021 was £3.6m (2020: £4.1m), generating a 39% increase in gross profit to £1.8m (2020: £1.3m). The gross margin improved from 31% to 49% showing the high-quality nature of Parkmead’s onshore production in the Netherlands, especially given the economic environment during the period.

The reduced revenue in the year reflected the substantially lower commodity prices during 2020 resulting from the pandemic. Since the lows experienced in the last financial year, we have seen a very encouraging recovery in prices, particularly in Dutch gas. Revenue in the second half of the year increased by 33% compared to the first half as a result of this price recovery. This strength in gas prices has continued since the financial year end, with prices more than tripling during the period from June 2021 to October 2021.

As a result, Parkmead has recorded €3 million of revenue during the first four months of the current financial year alone, 355% higher than the equivalent four months last year. Parkmead continues to remain unhedged for 100% of our gas production, thus giving exposure to these higher Dutch gas prices for the remainder of the year.

Parkmead maintains a strong balance sheet with total assets of £78.7m (2020: £89.8m) as at 30 June 2021. Cash and cash equivalents at year-end were £23.4m (2020: £25.7m) and interest bearing loans receivable were £2.9m (2020: £2.9m). The Group's net asset value was £57.7m (2020: £71.3m). We reduced debt within the Group by 86% to £0.5m on a pre-IFRS 16 basis at 30 June 2021 (2020: £3.6m). This prudent approach is an important part of our financial discipline.

Exploration and evaluation expenses were £11.1m (2020: £1.6m), which includes a non-cash impairment of £10.9 million related to the relinquishment of Licences P.2296, P.2362 and P.1242 (Platypus) in the UK North Sea. Administrative expenses were £3.0m (2020: £0.3m). Underlying staff costs stayed almost flat at £2.0 million (2020: £1.9m).

In June 2021, Parkmead completed an extensive tendering process with the view of appointing a new auditor following the ten year tenure from Nexia Smith & Williamson. We are pleased to announce that Jeffreys Henry assumed the role of auditor in August 2021. Parkmead would like to express our sincere thanks to Nexia Smith & Williamson for their work.

### Netherlands

Our Netherlands production remained some of the most efficient and profitable, on a per-barrel basis, across Europe in 2021. Production across the fields remained uninterrupted throughout national and local COVID-19 lockdowns.

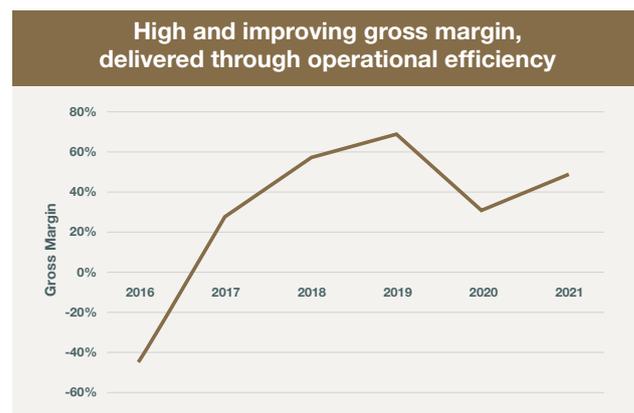
Gas production across the four fields has remained strong, with average gross production of 30.3MMscfd, approximately 5,212boepd. The operating cost of the combined fields is very low at just \$9.9 per barrel of oil equivalent. These high-quality assets, combined with efficient operational cost control underpins the strong gross profit margin and allows us to invest in further opportunities. Parkmead's onshore gas production continues to form a key part of the Group and an important role in our transition to a lower-carbon environment.

On our Drenthe VI licence, the Diever gas field remains in the top three most prolific producing onshore fields in the Netherlands. Parkmead and our JV partners are also pleased to be making material progress on the Leemdijk and De Bree prospects (renamed LDS-A and LDS-B respectively), also on the Drenthe

VI licence. A two-well drilling campaign from the Diever well site, targeting both structures, is scheduled for late 2022/early 2023, and if successful, offers a fast-track tie-in opportunity.

Our Drenthe V licence includes the Geesbrug gas field, which continues to see steady production at material rates. During the reporting period, seismic reprocessing has been ongoing to identify infill opportunities on this licence.

Finally, we are pleased to report that our Papekop development has successfully progressed through the concept select gate and we will now carry out some further engineering studies and continue the permitting process.



### Gas Royalty Acquisition

In July 2021 Parkmead completed the acquisition of a historic royalty associated with the Group's existing interests in the Drenthe IV, Drenthe V and Andel Va licenses in the Netherlands from Vermilion Energy. These licences contain the Grolloo, Geesbrug and Brakel onshore gas fields, respectively.

This royalty was previously held by NAM, a Shell and ExxonMobil joint venture. The consideration for this acquisition was €565k, satisfied through a part cash payment of approximately €150k and the remaining 2021 net revenue from Parkmead's working interest in the Geesbrug gas field. The acquisition removed the royalty associated with the existing producing gas wells. The revenue associated with this royalty for the year to 30 June 2020 was €325k, meaning a relatively short payback.

Through this important acquisition, Parkmead has increased its net gas production from these wells, doubling the Group's effective financial interest from 7.5% to 15% (in line with Parkmead's working interest in the licences). This step added significant core value to Parkmead and will extend the producing life of these fields through greater partner alignment.

**233%**  
increase in Dutch gas prices from June to October 2021

# €12.7 million Diever gross revenue for October 2021 alone

## UK Licence Refocus

The Company has now finalised the award of Licence P.2516 (Parkmead 50% and operator) containing two undeveloped oil discoveries, Fynn Beaully and Fynn Andrew, as well as an oil prospect in the Piper Formation. The licence covers Blocks 14/20g & 15/16g situated in the Central North Sea and is adjacent to Parkmead's GPA project.

Fynn Beaully is a very large oil discovery which extends across a number of blocks. The entire discovery is estimated to contain oil-in-place of between 602 and 1,343 million barrels, with Licence P.2516 containing a section of the discovery to the south holding oil-in-place of between 77 and 202 million barrels.

Fynn Andrew is wholly contained on the licence and holds 50 million barrels of oil-in-place on a P50 basis. The addition of these blocks to Parkmead's portfolio adds 34.4 million barrels of 2C resources to the Group. Parkmead's partner on the licence is Orcadian Energy.

An extension to the Skerryvore licence, P.2400, has been successfully awarded to Parkmead and its joint venture partners. The joint venture has made significant progress over the last year having completed reprocessing of the 3D seismic, allowing final rock physics and inversion scopes to begin. Follow-on technical studies are planned before the end of the year, ahead of a drilling decision 2022.

The acreage around Skerryvore is currently seeing activity on several fronts, with Harbour Energy drilling the adjacent Talbot opportunity and Shell looking to drill the Edinburgh prospect. Development activity is also taking place in close proximity to Skerryvore at Tommeliten A (ConocoPhillips) and Affleck (NEO Energy).

Skerryvore's main prospects are three stacked targets, at Mey and Chalk level, which together could contain 157 million barrels of oil equivalent ("MMBoe"). Parkmead operates the Skerryvore licence with a 30% working interest. Joint venture partners in the licence are Serica Energy (20%), CalEnergy Resources (20%) and Zennor Petroleum (30%).

Following the unexpected, late withdrawal of Dana Petroleum from the Platypus licence, Parkmead agreed in principle to become the temporary acting operator and entered into commercial discussions with the Platypus supply chain to

formulate a revised commercial project that could be put to the regulatory authorities to seek extension of the licence. A considered and improved commercial plan was put to the regulator well ahead of the formal end of the licence, however, despite intensive and prolonged discussions it was not possible to arrive at suitable terms for an extension and, although a new licence could be sought in due course, it was ultimately decided by the partners not to pursue the matter further at this time. So Parkmead has prudently recognised a full impairment charge. The Board of Parkmead is now able to re-focus the Group's time and resources, that it would otherwise have spent on Platypus on projects, where we can see a clear pathway to delivering enhanced shareholder value.

Elsewhere in the UK, we have secured an extension to the Initial Term A of West of Shetland licence P.2406 which contains the large Davaar Paleocene prospect. We have begun interpretation of the newly reprocessed seismic data ahead of further work next year.

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



# 355%

€3 million of revenue from  
first four months of the year  
represents an increase of  
355% on the corresponding  
period last year

Parkmead continues to engage with leading, internationally-renowned supply chain companies in order to optimise the commercial solution.

Parkmead continues to assess draft commercial offers received from the Scott field partnership for the potential tie-back of the GPA project. Scott lies just 10km southeast of the GPA project and a tie-back could yield a number of mutually beneficial advantages for both the Scott partnership and Parkmead. A tie-back to Scott is just one path to potentially unlock the substantial value of the GPA project. The GPA project has the potential to deliver 75-130 MMBoe on a P50 basis. For the Perth field development alone, every \$10/bbl increase in the oil price adds approximately £130 million to the P50 post-tax NPV of the project.

We believe that projects like GPA play an important role in underpinning the supply of energy that the UK requires in its transition to net zero. As a fuel that is primarily used for transportation, manufacturing and petrochemicals, oil will continue to feature as a vital commodity in the UK and it is very important that the UK continues to develop its projects in order to reduce reliance on less-regulated, more carbon-intensive imports.

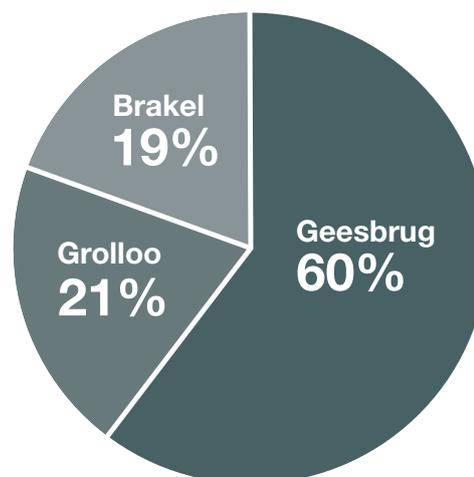
Parkmead believes that production of hydrocarbons from GPA can be done in a sustainable fashion in alignment with the UK government's most recent targets on carbon emissions.

### Onshore Renewables

In March 2021, Parkmead completed the successful sales of two separate areas of non-core land from its UK renewable energy portfolio for an aggregate consideration of £4.0 million. This divestment follows detailed analysis carried out across the Group's onshore land acreage. Sites with the largest renewable energy potential have been retained and high-graded, with a strategy to divest non-core land. These sales are in line with that strategy.

A number of renewable energy opportunities exist within our onshore portfolio and we continue to advance these through Parkmead's in-house technical and commercial expertise, alongside regional experts. Significant wind energy potential lies at a location within our portfolio some 15 miles west of Aberdeen. The acreage has excellent average wind speeds and lies adjacent to the Mid Hill Wind Farm which contains 33 Siemens wind turbines with a generating capacity of around 75 megawatts (MW). Technical studies are already underway at this site.

### Percentage split of the three royalty fields by production for the first four months of FY 2021



### Outlook

Our focus at Parkmead is to continue building a robust and balanced European energy business with both organic and inorganic growth opportunities. We have an excellent and determined team of energy experts who view the rapidly-changing energy landscape as an opportunity, not as a threat. Our team is looking at several new opportunities in gas and renewable energy.

We maintain a very healthy appetite for transactions which could provide incremental revenue, cash flow and long-term value for shareholders.

Our proactive approach to investment in cleaner energies stands us in excellent shape to continue building a balanced portfolio of assets within the Company.

We continue to remain unhedged for 100% of our gas production, thus giving exposure to the higher Dutch gas prices for the remainder of the year.

We have started the 2022 financial year on a sound footing with record high gas prices and work ongoing across a number of projects which should pave the way for a successful year ahead.

**£1.8**  
**million gross profit**  
**(2020 £1.3 million)**

# We are Energy Experts

Our unique, collaborative approach to business growth focuses the experience and skills of our expert team to evaluate a broad spectrum of energy opportunities.

We rigorously appraise the technical and commercial viability of projects to protect the core strengths of our existing business and carry forward only the highest calibre of opportunities, always prioritising the delivery of shareholder value.

Parkmead's four complimentary business areas contain a number of high-quality opportunities throughout the energy sector.

## We are investing in energy for the future



# Parkmead's early commitment to building a balanced energy business has pre-empted the recent discussion around an accelerated energy transition

## Netherlands Gas

Onshore gas production from 4 separate fields



## Benchmarking & Economics

35 years of experience advising major companies and governments



## UK Energy

Valuable development projects and low-risk exploration



## Future Opportunities

Wider energy, utilising Parkmead's scientific and commercial expertise



# Our Markets



The energy needs of the UK and Netherlands are met by a diverse range of sources with the majority coming from gas, oil and renewables. Oil, and particularly gas, will remain a key part of the energy mix for future decades as the world continues to electrify. Both countries are aiming for rapid transitions to a low-carbon economy, driving the continued investment in renewable energy and increasing overall energy generation from renewable sources.

## Natural Gas

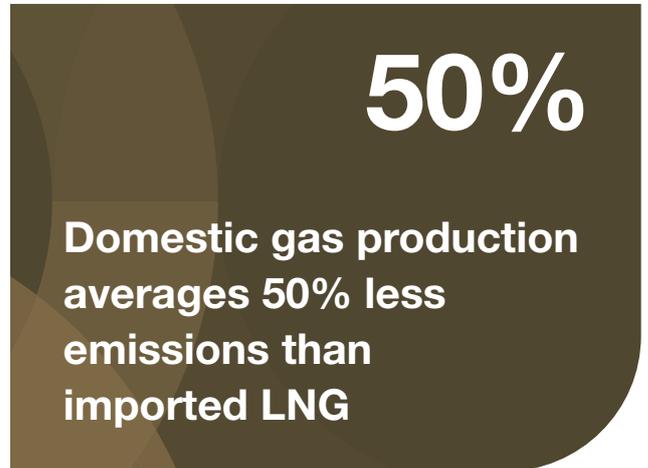
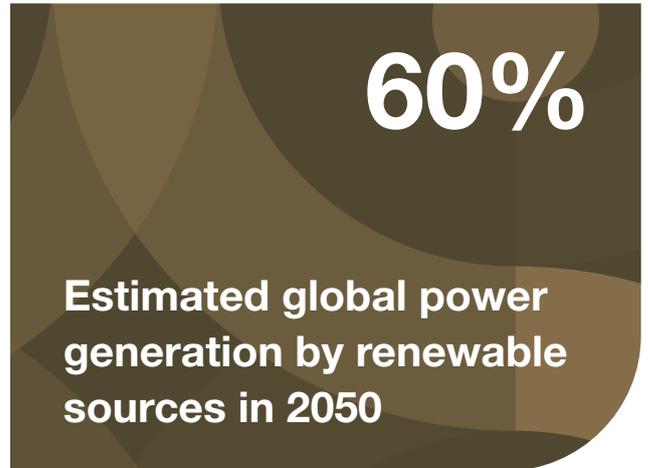
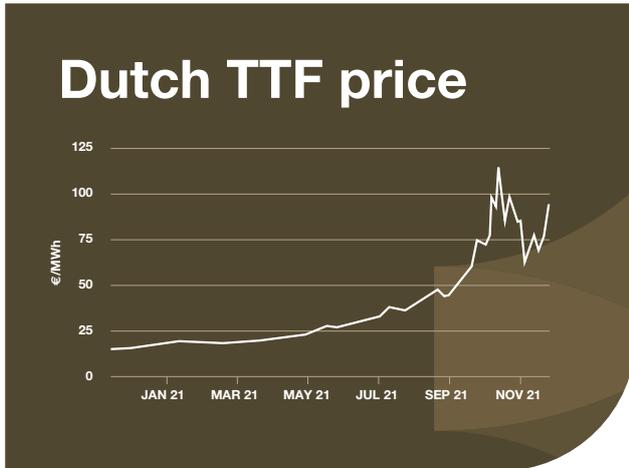
Throughout the second half of 2021, European gas prices have rallied to record highs. As countries have emerged from lockdown restrictions, the demand for energy has surged, complimented by unexpected supply outages, extreme weather events and geopolitics. The strong increases have firmly highlighted the intrinsic relationship between natural gas production and security of supply.

The UK and the Netherlands are two of the largest consumers of Gas in Europe, the majority of which goes to supporting domestic and industrial heating needs. Gas plays an important role in the electricity system and accounted for 35% of the UK's electricity generation in Q1 2021<sup>1</sup>. To compliment depleting domestic production, the UK currently relies on c.56% of its natural gas to be imported. Further investment in domestic gas resources is important for security of supply and the ability to control carbon emissions through carefully implemented regulations.

**“Transition fuels such as natural gas will play a vital role in the future energy mix alongside renewables.”**

**Henry Steward**  
Financial Analyst

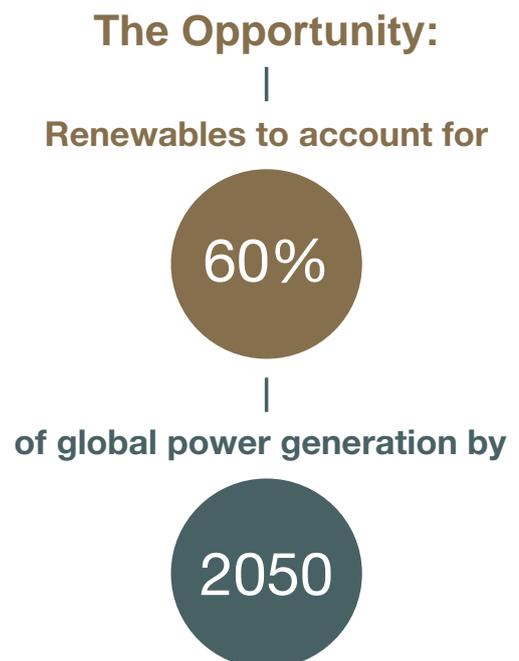
# Highlights



## Onshore Wind and Solar PV

Onshore wind is now the largest contributor to the UK's electricity supply having seen a 715% increase in generation over the last 11 years. The UK government's 2050 net zero emissions targets are only achievable through the continued investment in wind power generation, a feature of the Ten Point Plan for the UK's Green Industrial Revolution. The combination of improved wind turbine technologies, deployment of higher hub heights and longer blades with larger swept areas delivers increased efficiency for a given wind resource. The International Renewable Energy Agency forecast that average capacity factors for onshore wind farms will increase from 34% in 2018 to a range of between 30% and 55% by 2030, and between 32% and 58% by 2050<sup>2</sup>.

Solar PV is one of the fastest growing renewable energy markets globally. The IEA states that global solar PV development capacity will grow by 162GW in 2022. Continuous growth in solar PV are spurred by lower investment costs and ongoing policy support from governments across Europe.



1. BEIS, Energy Trends UK, April to June 2021, Sep 21  
 2. IRENA, *Future of Wind*, A Global Energy Transformation paper, Oct 2019

# Acquisition of Gas Royalty



**“The acquisition of this natural gas royalty puts Parkmead in a stronger position. It adds substantial core value and we estimate it will extend the life of the assets by several years.”**

**Guy Stroulger**

Director, Business Development & Commercial

Our team worked incredibly hard securing this deal, conducting detailed and diligent analysis as well as overcoming a few hurdles arising from the pandemic.

The royalty was formerly owned by Shell and ExxonMobil (through their joint venture called NAM) and was in place with the licences when they were acquired by Parkmead in 2012.

The acquisition increases Parkmead’s net gas production from the Geesbrug, Grolloo and Brakel assets, doubling the Group’s effective financial interest from 7.5% to 15%. This deal has the added benefit of creating stronger partner alignment between Parkmead and the operator Vermillion Energy. The large Diever gas field is not affected by this royalty.

The consideration for the acquisition was €565k and was satisfied through a part cash payment as well as a portion of gas sales for calendar year 2021. This is the first deal we have completed utilising this approach and it is something we may also look to do in the future.

The revenue associated with this royalty for the year to 30 June 2020 was €325k, delivering a relatively short payback time.



## Opportunity identified. Opportunity secured.

We identified an opportunity to purchase this legacy royalty which put Parkmead at a disadvantage in some of our Dutch licences. Using our technical and commercial expertise, we secured the acquisition despite the impacts of COVID-19.

**Nick Allan**  
Subsurface Manager

## Timeline

The acquisition was funded through cash and a portion of gas sales for calendar year 2021. Parkmead will receive the full gains of the increased interests from January 2022, also benefiting from the higher gas prices.



**1 January 2021**

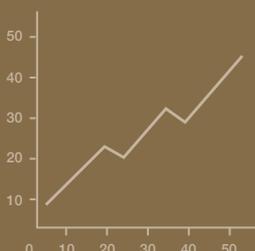
(Economic date of the acquisition)

**Early July**

(deal signed and announced)

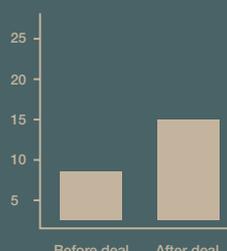
**1 January 2022**

(Parkmead's receives full benefit of the deal)



**10%**

The acquisition will increase Parkmead's net gas production by an estimated 10% next year



**15%**

Parkmead's new effective financial interest in Grolloo, Brakel and Geesbrug

# A Dynamic Approach for a Balanced Portfolio

**“Our team’s collective track record is outstanding. We continue to advance our energy plans through innovative concepts and commercial skill.”**

**Tim Coxe**

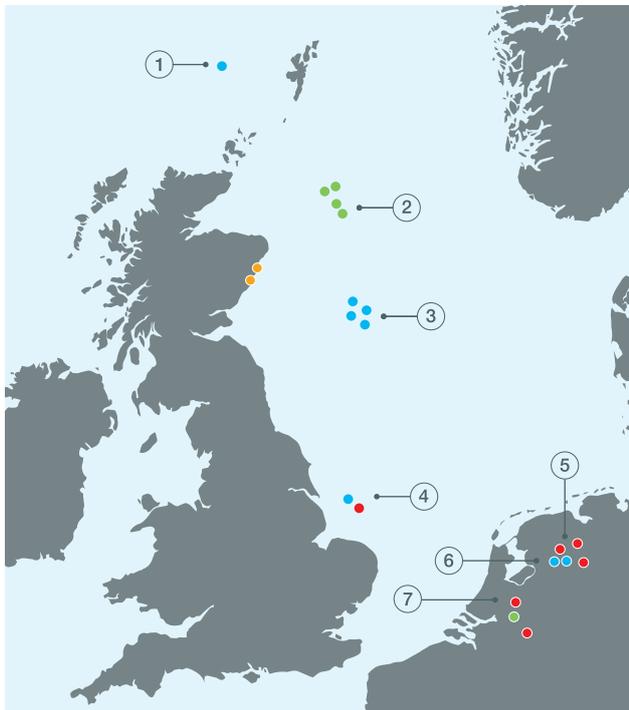
Managing Director, North Sea

Parkmead’s North Sea business contains a portfolio of high-quality exploration and development assets throughout the UK and Netherlands. Our team is excited by the opportunities arising from this portfolio. This year, Parkmead secured two new blocks in the UK 32nd Licensing Round, increasing our 2C resources by over 34 million barrels of oil equivalent. We are also making good progress in our technical studies across the P.2400 and P.2402 licences, which contain the Skerryvore and Ruvaal prospects as we look to progress these next year.

Parkmead was pleased to see the announcement of the North Sea Transition Deal, in March 2021. This is an important step forward for the industry with the UK government outlining its transition plans towards a lower-carbon future that supports economic growth. The partnership between industry and government is vital to unlock investment for the transitioning energy mix as we ensure UK energy security for years to come. Parkmead’s North Sea assets will have an important role to play in this.



# A Balanced Portfolio for Growth



- Oil production/development
- Gas production/development
- Exploration prospects
- Renewable energy assets

**1 West of Shetland** Parkmead holds the P.2406 licence which contains the large Davaar prospect located in the Paleocene Valia Formation. This is the same formation that provides the reservoir for the nearby Foinaven, Schiehallion, Laggan and Tormore fields. It is estimated that the Davaar prospect could hold 224 mmbbls on a P50 basis.

**2 Greater Perth Area (GPA)** This is one of the North Sea's largest undeveloped oil projects and has been fully appraised. An estimated 400 million barrels of oil is in place across the project area. Parkmead is in discussions with international operators in the vicinity of GPA.

**3 Skerryvore** Skerryvore sits in a highly prospective area of the Central North Sea, with stacked potential in three reservoirs at the Mey, Ekofisk and Tor formation levels. The Mey target is analogous to the neighbouring Talbot discovery, where appraisal drilling took place in 2021. The prospects hold an estimated 157 million barrels of recoverable oil equivalent on a P50 basis. Additional prospectivity is found in the Jurassic and Triassic horizons underneath.

**4 Blackadder** Located in the Southern Gas Basin, the Blackadder gas prospect is estimated to contain 107 bcf of recoverable resources. Parkmead is working closely on this licence to better understand the reservoir effectiveness. Further upside can be achieved with the addition of the Teviot discovery located on the east of the licence.

**5 Netherlands Production** Gas is currently produced from Brakel, Grolloo, Geesbrug and Diever fields. Parkmead holds a 15% working interest in the fields (7.5% in Diever). Diever is the third largest onshore producer in the Netherlands and continues to outperform production estimates. Seismic reprocessing has progressed across Geesbrug areas and will be used to review attractive infill opportunities.

**6 Netherlands Exploration** Within our six Netherlands licences we have a number of low-risk exploration prospects. Significant progress has been on the planning and permitting for the LDS exploration project on Drenthe VI Licence. The project consists of drilling 2 to 3 gas prospects from the existing Diever location. The targets are LDS-A-CE, LDS-A-SW and LDS-B, formerly known as Leemdijk CE, Leemdijk SW and De Bree respectively. Production plans and environmental permits have been submitted with drilling planned for late 2022/early 2023.

**7 Netherlands Development** The Papekop oil and gas discovery continues to progress through key milestones. Parkmead and our JV partners have undertaken extensive concept select studies and continue with engineering and permitting work as the JV works towards further important milestones.

**New UK licence secured adding 34.4mmboe of 2C resources to Parkmead**



**Completion of seismic reprocessing work at Skerryvore**



# Well Placed to Take Advantage of Transition Opportunities



**“Parkmead is well positioned to leverage its technical knowhow and commercial acumen within the renewable energy space. We have already executed three successful transactions within our renewable energy division and aim to complete more in the near-term.”**

**Ryan Stroulger**  
CFO & Executive Director

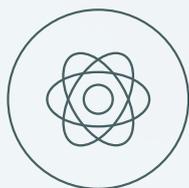
Renewable capacity additions throughout the UK and Europe have seen immense growth in recent years, with many now dominating power generation markets in these geographies. With technology pioneered by the oil and gas industry, and vital cash resources that indigenous resources provide, clean energy technologies are able to guide society to a net-zero future. Parkmead has positioned itself as a leading upstream energy company in the UK, with a core focus on sustainable growth in line with global low-carbon and net-zero policies.

## **Hydrogen**

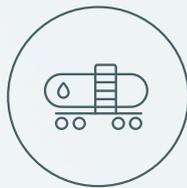
Complementing the transition, hydrogen will increasingly be used for activities that are difficult to electrify, particularly in industry and transport. Blue hydrogen, for example, will convert the UK and Netherlands natural gas supply network to a lower-carbon one.

## **Platform Electrification**

By sourcing power from nearby renewable energy generating facilities, electrification could abate 20% of today's production emissions, rising to 40% by 2030.



**Member of  
Vision 2035  
campaign led  
by OGUK**



**100% gas  
producer  
since 2016**



**North Sea  
Transition Deal  
agreed in March  
2021**

#### **Carbon Capture and Storage**

Critical to achieving net-zero, CCS is playing a core role in UK energy R&D. The UK has excellent CO<sub>2</sub> storage capacity in older, depleted North Sea reservoirs. The oil and gas industry is extremely well positioned to deploy its skills and technologies in order to accelerate CCS deployment.

#### **Geothermal**

Re-use of existing onshore infrastructure and wells provides a low-risk opportunity for geothermal energy. The expertise and skill set of our E&P team is perfect for the advancement of this opportunity.

# Natural Gas and Oil Assets

LICENCE	BLOCK DESIGNATION	FIELD/ DISCOVERY	PROSPECT/ OPPORTUNITY	OPERATOR	PARKMEAD EQUITY %	CO-VENTURERS
<b>UK CENTRAL NORTH SEA</b>						
P218	15/21e North Area	Perth		Parkmead	100	
	15/21a South Area	Dolphin/ Sigma		Parkmead	100	
P588	15/21c	Perth		Parkmead	100	
	15/21b	Residual		Parkmead	100	
P1293	14/18b	Athena		Ithaca	30	Ithaca 40%, Jersey 15%, NEO 15%
P2154	14/25a	Perth		Parkmead	100	
P2516	14/20g, 15/16g	Fynn Beaully, Fynn Andrew		Parkmead	50	Orcadian Energy 50%
P2400	30/12c, 13c, 17h & 18c		Skerryvore	Parkmead	30	NEO 30%, Serica 20%, CalEnergy 20%
P2402	30/19c		Ruvaal	Parkmead	30	NEO 30%, Serica 20%, CalEnergy 20%
<b>UK SOUTHERN NORTH SEA</b>						
P2435	47/10d & 48/6c	Teviot	Blackadder	Parkmead	75	Deltic 25%
<b>UK WEST OF SHETLAND</b>						
P2406	205/12		Davaar	Parkmead	100	
<b>NETHERLANDS ONSHORE</b>						
Andel Va		Brakel, Ottoland, Wijk en Aalborg		Vermilion	15	Vermilion 45%, EBN 40%
Andel Vb		Kerkwijk		Vermilion	7.5	Vermilion 22.5%, EBN 40%, NAM 30%
Drenthe IV		Grolloo		Vermilion	15	Vermilion 45%, EBN 40%
Drenthe V		Geesbrug		Vermilion	15	Vermilion 45%, EBN 40%
Drenthe VI		Diever West		Vermilion	7.5	Vermilion 52.5%, EBN 40%
Papekop		Papekop		Vermilion	15	Vermilion 45%, EBN 40%

# Renewable Energy Assets

LICENCE	LOCATION	OPERATOR	PARKMEAD EQUITY %	ENERGY TYPE
<b>UK ONSHORE RENEWABLES</b>				
Pitreadie Site 1	Aberdeenshire	Parkmead	100	Wind
Pitreadie Site 2	Aberdeenshire	Parkmead	100	Solar PV

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# Board

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## **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.

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## **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. Ryan has been responsible for identifying and driving forward numerous asset and corporate opportunities, such as the acquisitions of DEO Petroleum plc and Lochard Energy Group PLC. He is also responsible for all aspects of Parkmead's external financing, from strategic planning through to successful execution. He is a member of the UK's Institute of Directors (IoD) and was awarded the Corporate Finance Qualification by the Institute of Chartered Accountants in England and Wales (ICAEW). Ryan also holds a Master's degree in Petroleum Geoscience from the University of London.

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## **Robert Finlay**

Non-Executive Director

Robert has over 30 years of experience as a corporate adviser to a range of companies quoted on the London Stock Exchange AIM and Main Market, including a number of energy companies. He is currently a Director in the corporate advisory team at Shore Capital. His earlier career included roles as Head of Corporate at Stockdale Securities and Head of Corporate Finance at Canaccord Genuity. Robert is Chair of the Audit Committee and a member of the Remuneration Committee at Parkmead.

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## **Colin MacLaren**

Non-Executive Director

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

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# Strategic Report

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## Business review and future activities

The Parkmead Group plc is an independent energy group listed on the London Stock Exchange (AIM: PMG). At 30th June 2021, The Group produces from four gas fields in the Netherlands and holds interests in a total of 22 exploration and production blocks. Parkmead has significant oil and gas development opportunities across the UK and Netherlands, including the Greater Perth Area and Skerryvore projects located in the Central North Sea. The Group also holds interests in renewable energy development opportunities. Parkmead is headquartered in Aberdeen, Scotland.

The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 31 June 2021, 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 assurance that the Group will be successful in obtaining the required financing or attracting farm-in partners in the medium term. If the Group is unable to obtain additional financing as needed or attract suitable farm-in partners, some interests may be relinquished and/or the scope of the operations reduced.

To mitigate this risk, the Group has established a strong net asset base and holds strong industry and finance relationships.

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.

## 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 and blocks under licence, whilst always maintaining a strong net asset base. These 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.

## Section 172 Statement

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

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

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

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

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

During the year, the Group continued to engage with the supply chain and regulators, as operator of North Sea assets. The Group and its joint venture partners continue to take a pragmatic approach to key decisions relating to work scopes and investment on UKCS projects.

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

Long-term objectives involve diversification of the Group's energy interests and the continued investment in renewable energy demonstrates this. The Board continues to evaluate Parkmead's portfolio in light of the transitioning energy mix and UK government's net zero targets.

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

**b. the interests of the Company's employees;**

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

The Group employs 13 members of staff where all senior management and Board have an 'open door' policy to promote employee engagement and interaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Thomas Cross**

Director

25 November 2021

# Directors' Report

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2021.

## General information

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

## Results and dividends

The Group loss for the financial year after taxation amounted to £13.8 million (2020: £0.5m loss), which included a non-cash impairment of £10.9 million. Adjusted EBITDA was a loss of £1.0 million (2020: £1.6 million profit). The Directors do not recommend the payment of a final dividend (2020: £nil).

## Future developments

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

## Directors and their interests

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

T P Cross	
R A Stroulger	
P J Dayer	Retired 30 April 2021
C J MacLaren	
R J Finlay	Appointed 1 May 2021

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 21. 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.

## Financial risk management policies

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

## Share capital

At 30 June 2021 the total issued ordinary share capital was 109,266,931 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](http://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 2021:

	No. of ordinary shares held	% of Ordinary Shares
T P Cross & Affiliates	28,200,929	25.81%
Stonehage Fleming Investment Management	9,627,652	8.81%

## Accountability and audit

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

## Internal control

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

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

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

### Going concern

The Directors, after making appropriate enquiries have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. 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

Jeffreys Henry assumed the role of auditor in August 2021 and 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 22 December 2021. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2021
- to re-appoint Directors who, in accordance with the articles of association of the Company, have retired by rotation
- approving the re-appointment of Jeffreys Henry 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  
25 November 2021

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# Corporate Governance

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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 2021.

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

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

The Company's strategy is to build an independent energy group of considerable scale, with assets in proven and frontier areas, through innovative commercial transactions in order to maximise shareholder value. Parkmead has made substantial progress to date in line with this strategy, completing nine 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](http://www.parkmeadgroup.com)) where the Annual Report and financial statements can be accessed. The following information is also located on the website:

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

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

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

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

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

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

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

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

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

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

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### **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 nine occasions with all members present.

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

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

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

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

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

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

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

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

Biographical details of all the current Directors can be found on page 21. These demonstrate a range of experience and sufficient calibre to bring independent judgement on the issues of strategy, performance, resources and standards of conduct, which are vital to the continuing success of the Group.

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

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

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

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

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

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

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

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

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

#### **Executive Chairman**

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

#### **Non-Executive Directors**

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

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

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# Corporate Governance

(CONTINUED)

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## Audit Committee

The Audit Committee meets at least twice a year and consists of R J Finlay, the Committee Chairman, C J MacLaren and T P Cross. R A Stroulger attends by invitation. P J Dayer retired from the Audit Committee and Board on 30 April 2021 and was replaced by Robert Finlay on 1 May 2021. In the year ended 30 June 2021 the Audit Committee met once, with all members present.

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

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

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

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

## Remuneration Committee

The Remuneration Committee meets at least once a year and consists of C J MacLaren, the Committee Chairman, R J Finlay and T P Cross. P J Dayer retired from the Audit Committee and Board on 30 April 2021 and was replaced by Robert Finlay on 1 May 2021. In the year ended 30 June 2021 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 options 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 and present their views. The outcome of resolutions put to the Annual General Meeting are published and available on the Company's website.



**Ryan Stroulger**

Company Secretary  
25 November 2021

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# Statement of Directors' Responsibilities

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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 United Kingdom and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the United Kingdom 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.

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# Independent Auditor's Report

TO THE MEMBERS OF THE PARKMEAD GROUP PLC

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## Opinion

We have audited the financial statements of The Parkmead Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise the consolidated statement of income and other comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of cash flows, the consolidated and parent company statements of changes in equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom, 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 parent company's affairs as at 30 June 2021 and of the group's and parent company's loss for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom;
- 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- a review of management's budgets and cashflow forecasts for the 12 months from proposed sign off date;
- a review of the inputs and assumptions utilised in the budgets and cashflow forecasts taking into account our knowledge of the group and its levels of operating cashflows;
- stress testing of the forecasted cashflows;
- a review of the cash balances held by the group at year end date and at sign-off date.

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

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

## Key audit matters

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

- Carrying values of exploration and evaluation (E&E assets).
- Carrying values of development and production assets (D&P assets)
- Carrying value of decommissioning provisions
- Carrying value of goodwill
- Carrying value of investments in subsidiaries and intercompany receivables (company only risk).

These are explained in more detail below.

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying values of exploration and evaluation (“E&amp;E assets”)</b></p> <ul style="list-style-type: none"> <li>The group held a significant balance of E&amp;E assets as at the year end, with a total carrying value of £29,497k (2020: £36,089k).</li> <li>Included within E&amp;E assets were additions relating to capitalised exploration and appraisal costs, capitalised technical and administrative costs as well as write-offs of E&amp;E assets that were no longer considered technically feasible for the group’s purposes.</li> <li>The group undertakes impairment assessments annually for all E&amp;E assets based on a number of assumptions and forecasts. These require significant judgement and so are considered a key audit matter.</li> </ul>	<p><b>Our audit procedures:</b></p> <ul style="list-style-type: none"> <li>We discussed with management and undertook a full review of the underlying assets to establish if there was any indication of impairment in accordance with IFRS 6 and the group’s accounting policy.</li> <li>We reviewed management’s impairment workings such as forecasts which included their approach and methodology as well as inputs and significant assumptions, namely: <ul style="list-style-type: none"> <li>– Future revenue, operating costs and capital expenditure cashflows;</li> <li>– Future commodity prices;</li> <li>– Discount rates;</li> <li>– Estimated reserves.</li> </ul> </li> <li>We considered whether management had exercised any bias in assumptions used or the outputs produced in the forecasts prepared.</li> <li>We reviewed the exploration licences to third party regulators and joint operating agreements where applicable.</li> <li>We considered the appropriateness of the Group’s disclosures in relation to E&amp;E assets in the financial statements.</li> </ul>
<p><b>Carrying values of development and production assets (“D&amp;P assets”)</b></p> <ul style="list-style-type: none"> <li>The group held a significant balance of D&amp;P assets as at the year end, with a total carrying value of £14,646k (2020: £11,979k).</li> <li>Included within D&amp;P assets were additions relating to capitalised development costs, capitalised costs relating to the change in estimate of decommissioning provision abandonment expenditure, and depreciation charges based on the unit-of-production method.</li> <li>The group undertakes impairment assessments annually for all D&amp;P assets and where indicators of impairment are identified, an impairment review is performed based on a number of assumptions and forecasts. These require significant judgement and so are considered a key audit matter.</li> </ul>	<p><b>Our audit procedures:</b></p> <ul style="list-style-type: none"> <li>We discussed with management and undertook a full review of the underlying assets to establish if there was any indication of impairment in accordance with IAS 36 and the group’s accounting policy.</li> <li>We reviewed management’s impairment workings such as forecasts which included their approach and methodology as well as inputs and significant assumptions, namely: <ul style="list-style-type: none"> <li>– Future revenue, operating costs and capital expenditure cashflows;</li> <li>– Future commodity prices;</li> <li>– Discount rates;</li> <li>– Production volumes.</li> </ul> </li> <li>We considered whether management had exercised any bias in assumptions used or the outputs produced in the forecasts prepared.</li> <li>We considered the appropriateness of the Group’s disclosures in relation to D&amp;P assets in the financial statements.</li> </ul>

# Independent Auditor's Report

(CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of decommissioning provisions</b></p> <ul style="list-style-type: none"><li>• The group held a significant provision for decommissioning costs as at the year-end of £14,754k (2020: £7,650k).</li><li>• Included within the decommissioning provision are increases relating to changes in abandonment expenditure estimates, unwinding of the discount relating to the present value of the provision and utilisation of the provision for costs incurred during the period.</li><li>• The calculation of the provisions is based on significant estimates and assumptions utilised by management in determining the potential future expenditure to be incurred.</li></ul>	<p><b>Our audit procedures:</b></p> <ul style="list-style-type: none"><li>• We undertook a review of the decommissioning provision calculations performed by management and reviewed these for mathematical accuracy.</li><li>• We considered whether management had exercised any bias in assumptions used or the outputs produced in the forecasts prepared.</li><li>• We reviewed the estimated costs against external third-party evidence for reasonability and to ensure that no management bias was included in the estimates made.</li><li>• We considered the appropriateness of the Group's disclosures in relation to the decommissioning provisions in the financial statements.</li></ul>
<p><b>Carrying value of goodwill</b></p> <ul style="list-style-type: none"><li>• The group had a balance of goodwill at the year-end of £2,174k (2020: £2,174k).</li><li>• The goodwill is historic and arose on the acquisition of Aupec Limited. In accordance with IAS 36 the group is required to assess the goodwill balance for impairment annually regardless of whether any indicators of impairment exist.</li></ul>	<p><b>Our audit procedures:</b></p> <ul style="list-style-type: none"><li>• We undertook a review of the impairment model prepared by management, considering the mathematical accuracy along with the inputs and assumptions utilised for the forecast figures.</li><li>• We considered whether management had exercised any bias in the inputs and assumptions used in the forecast figures.</li></ul>
<p><b>Carrying value of investments in subsidiaries and intercompany receivables (parent company only risk)</b></p> <ul style="list-style-type: none"><li>• The parent company had a carrying value of investments in subsidiaries at the year-end of £27,443k (2020: £27,443k), as well as an intercompany receivable of £55,937k (2020: £53,741k).</li></ul>	<p><b>Our audit procedures:</b></p> <ul style="list-style-type: none"><li>• We considered the value of the investments and recoverability of the intercompany receivable with reference to the underlying assets held by the subsidiaries, along with the revenue being generated in the subsidiary entities.</li><li>• We reviewed the impairment models provided by management for the recoverability of the subsidiaries and assessed these for mathematical accuracy, as well as to confirm whether the inputs and assumptions utilised were reasonable and supportable.</li></ul>

## Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
<b>Overall materiality</b>	£784,700 (2020: £2,497,000)	£706,200 (2020: £1,623,050)
<b>How we determined it</b>	1% of gross assets (2020: 2.8% of gross assets)	1% of gross assets, limited to a percentage of Group materiality (2020: 1.8% of gross assets)
<b>Rationale for benchmark applied</b>	We believe that the gross assets are the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	We believe that the gross assets are the primary measure used by the shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £40,600 and £581,700.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £39,235 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the Company, the accounting processes and controls, and the industry in which they operate.

The group financial statements are a consolidation of four reporting entities. We have audited all components within the group, and no unaudited components remain.

It is our responsibility for the direction, supervision and performance of the group audit and we remain solely responsible for the audit opinion.

## Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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# Independent Auditor's Report

(CONTINUED)

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

In the light of the knowledge and understanding of the group and parent company and its 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

## The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the group through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
  - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 of the group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

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In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC and the group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed those laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of this 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 that 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, or the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Sanjay Parmar**

SENIOR STATUTORY AUDITOR

For and on behalf of Jeffrey's Henry Audit Limited,  
statutory auditor

Finsgate  
5-7 Cranwood Street  
London EC1V 9EE  
United Kingdom

25 November 2021

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# Group statement of profit or loss

FOR THE YEAR ENDED 30 JUNE 2021

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	Notes	2021 £'000	2020 £'000
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>3,608</b>	4,080
Cost of sales		<b>(1,835)</b>	(2,806)
<b>Gross profit</b>		<b>1,773</b>	1,274
Exploration and evaluation expenses	4	<b>(11,116)</b>	(1,556)
Gain on bargain purchase	16	–	362
Loss on sale of assets		<b>(388)</b>	–
Administrative expenses	4	<b>(3,040)</b>	(257)
<b>Operating loss</b>		<b>(12,771)</b>	(177)
Finance income	9	<b>148</b>	199
Finance costs	10	<b>(819)</b>	(814)
<b>Loss before taxation</b>		<b>(13,442)</b>	(792)
Taxation	11	<b>(364)</b>	310
<b>Loss for the period attributable to the equity holders of the Parent</b>		<b>(13,806)</b>	(482)
<b>(Loss)/earnings per share (pence)</b>			
Basic	12	<b>(12.64)</b>	(0.45)
Diluted		<b>(12.64)</b>	(0.45)

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

FOR THE YEAR ENDED 30 JUNE 2021

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	Notes	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>(Loss)/profit for the year</b>		<b>(13,806)</b>	(482)	<b>(1,152)</b>	528
<b>Other comprehensive income</b>					
Income tax relating to components of other comprehensive income		-	-	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	-	<b>-</b>	-
<b>Total comprehensive (loss)/income for the year attributable to the equity holders of the Parent</b>		<b>(13,806)</b>	(482)	<b>(1,152)</b>	528

# Group and company statement of financial position

AS AT 30 JUNE 2021

	Notes	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Non-current assets</b>					
Property, plant and equipment: development & production	13	14,646	11,979	-	-
Property, plant and equipment: other	13	4,654	9,411	235	436
Goodwill	14	2,174	2,174	-	-
Exploration and evaluation assets	14	29,497	36,089	-	-
Investment in subsidiaries and joint ventures	15	-	-	27,443	27,443
Interest bearing loans	18	2,900	2,900	2,900	2,900
Deferred tax assets	11	-	3	-	-
<b>Total non-current assets</b>		<b>53,871</b>	<b>62,556</b>	<b>30,578</b>	<b>30,779</b>
<b>Current assets</b>					
Trade and other receivables	19	1,352	1,414	56,062	54,639
Inventory		66	131	-	-
Cash and cash equivalents	20	23,378	25,708	4,656	6,963
<b>Total current assets</b>		<b>24,796</b>	<b>27,253</b>	<b>60,718</b>	<b>61,602</b>
<b>Total assets</b>		<b>78,667</b>	<b>89,809</b>	<b>91,296</b>	<b>92,381</b>
<b>Current liabilities</b>					
Trade and other payables	21	(3,490)	(4,437)	(2,567)	(2,506)
Current tax liabilities	21	(241)	-	-	-
<b>Total current liabilities</b>		<b>(3,731)</b>	<b>(4,437)</b>	<b>(2,567)</b>	<b>(2,506)</b>
<b>Non-current liabilities</b>					
Trade and other payables	21	(1,011)	(1,372)	(15)	(190)
Loans	22	(500)	(3,600)	-	-
Deferred tax liabilities	11	(1,339)	(1,404)	-	-
Decommissioning provisions	23	(14,365)	(7,650)	-	-
<b>Total non-current liabilities</b>		<b>(17,215)</b>	<b>(14,026)</b>	<b>(15)</b>	<b>(190)</b>
<b>Total liabilities</b>		<b>(20,946)</b>	<b>(18,463)</b>	<b>(2,582)</b>	<b>(2,696)</b>
<b>Net assets</b>		<b>57,721</b>	<b>71,346</b>	<b>88,714</b>	<b>89,685</b>
<b>Equity attributable to equity holders</b>					
Called up share capital	26	19,688	19,678	19,688	19,678
Share premium		88,017	87,805	88,017	87,805
Merger reserve		3,376	3,376	3,376	3,376
Retained deficit		(53,360)	(39,513)	(22,367)	(21,174)
<b>Total Equity</b>		<b>57,721</b>	<b>71,346</b>	<b>88,714</b>	<b>89,685</b>

The loss after tax of the Parent Company for the year was £1,152,000 (2020: Profit £528,000).

The financial statements on pages 36 to 80 were approved by the Board of Directors on 25 November 2021 and signed on its behalf by:



**Thomas Cross**  
Director



**Ryan Stroulger**  
Director

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# Group statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2021

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	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained deficit £'000	Total £'000
<b>At 30 June 2019</b>	19,533	87,805	–	(39,082)	68,256
Loss for the year	–	–	–	(482)	(482)
Total comprehensive loss for the year	–	–	–	(482)	(482)
Share capital issued	145	–	3,376	–	3,521
Share-based payments	–	–	–	51	51
<b>At 30 June 2020</b>	19,678	87,805	3,376	(39,513)	71,346
Loss for the year	–	–	–	(13,806)	(13,806)
Total comprehensive loss for the year	–	–	–	(13,806)	(13,806)
Share capital issued	10	212	–	–	222
Share-based payments	–	–	–	(41)	(41)
<b>At 30 June 2021</b>	<b>19,688</b>	<b>88,017</b>	<b>3,376</b>	<b>(53,360)</b>	<b>57,721</b>

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# Company statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2021

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	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained deficit £'000	Total £'000
<b>At 30 June 2019</b>	19,533	87,805	–	(21,753)	85,585
Profit for the year	–	–	–	528	528
Total comprehensive income for the year	–	–	–	528	528
Share capital issued	145	–	3,376	–	3,521
Share-based payments	–	–	–	51	51
<b>At 30 June 2020</b>	19,678	87,805	3,376	(21,174)	89,685
Loss for the year	–	–	–	(1,152)	(1,152)
Total comprehensive income for the year	–	–	–	(1,152)	(1,152)
Share capital issued	10	212	–	–	222
Share-based payments	–	–	–	(41)	(41)
<b>At 30 June 2021</b>	<b>19,688</b>	<b>88,017</b>	<b>3,376</b>	<b>(22,367)</b>	<b>88,714</b>

# Group and company statement of cashflows

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Cashflows from operating activities</b>					
Continuing activities	28	(1,191)	882	(2,117)	(4,153)
Taxation paid		(124)	(1,883)	-	-
<b>Net cash (used in)/generated by operating activities</b>		<b>(1,315)</b>	<b>(1,001)</b>	<b>(2,117)</b>	<b>(4,153)</b>
<b>Cash flow from investing activities</b>					
Interest received		148	163	73	86
Acquisition of exploration and evaluation assets		(369)	(3,335)	-	-
Disposal of property, plant and equipment		4,000	-	-	-
Acquisition of property, plant and equipment: development and production		(165)	(34)	-	-
Acquisition of property, plant and equipment: other		(114)	(416)	(48)	(8)
Decommissioning expenditure		(31)	-	-	-
Net cash from Pitreadie		-	24	-	-
<b>Net cash generated by/(used in) investing activities</b>		<b>3,469</b>	<b>(3,598)</b>	<b>25</b>	<b>78</b>
<b>Cash flow from financing activities</b>					
Interest paid		(110)	(113)	(21)	-
Lease payments		(421)	(410)	(192)	(187)
Repayment from loans and borrowings		(3,100)	-	-	-
<b>Net cash (used in)/generated by financing activities</b>		<b>(3,631)</b>	<b>(523)</b>	<b>(213)</b>	<b>(187)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,477)</b>	<b>(5,122)</b>	<b>(2,305)</b>	<b>(4,262)</b>
Cash and cash equivalents at beginning of year		25,708	30,666	6,963	11,222
Effect of foreign exchange rate differences		(853)	164	(2)	3
<b>Cash and cash equivalents at end of year</b>		<b>23,378</b>	<b>25,708</b>	<b>4,656</b>	<b>6,963</b>

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# Notes to the financial statements

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## 1. Corporate information

The consolidated financial statements of The Parkmead Group PLC (“Company”) and its subsidiaries (together the “Group”) for the year ended 30 June 2021 were authorised for issue by the Board of Directors on 25 November 2021 and the Statement of Financial Position was signed on the Board’s behalf by T P Cross and R A Stroulger. The Company is a public limited company incorporated in England & Wales. The Company’s shares are publicly traded on AIM of the London Stock Exchange. The registered office is located at 20 Farringdon Street, 8th Floor, London, England, EC4A 4AB.

## 2. Accounting policies

### Basis of preparation of the financial statements

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

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

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

### Going concern

The Directors have made an assessment of the Group and Company ability to continue as a going concern. As at 30 June 2021 the Group had £57.7 million of net assets of which £23.4 million is held in cash, of which £6.5 million is held as restricted cash. As at 30 June 2021 the Company had £88.7 million of net assets of which £4.7 million is held in cash.

The Group’s production in the Netherlands has been uninterrupted by COVID-19 and the Group and Company employees have utilised technology to work remotely. The Group has prepared a cash flow model to 31 December 2022 and is forecast to have significant cash balances at that date, therefore prepared the accounts on a going concern basis.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2021. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

### Subsidiaries

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

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

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

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.

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## 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 contract performance obligations are met.

### Oil and Gas exploration and production

The Group 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 title has passed to the buyer. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

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

### Energy Economics

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

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

### Oil and gas expenditure – exploration and evaluation assets

#### Capitalisation

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

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.

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# Notes to the financial statements

(CONTINUED)

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## 2. Accounting policies (continued)

### Impairment

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

### Oil and gas expenditure – development and production assets

#### Capitalisation

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

#### Depreciation

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

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

- recoverable reserves; and
- future capital expenditure

#### Impairment

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

The future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a post-tax discount rate. The discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located, although other rates may be used if appropriate to the specific circumstances. In 2021 the rate used was 8% (2020: 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.

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## 2. Accounting policies (continued)

### Key assumptions used in the value-in-use calculations

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

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

#### Production volumes/recoverable reserves

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

#### Commodity prices

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

#### Fixed and variable operating costs

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

#### Capital expenditure

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

#### Discount rates

Discount rates reflect the current market assessment of the risks specific to the oil and gas sector and are based on the weighted average cost of capital for the Group. Where appropriate, the rates are adjusted to reflect the market assessment of any risk specific to the field for which future estimated cash flows have not been adjusted. The Group has applied a post-tax discount rate of 8% for the current year (2020: 8%).

#### Sensitivity to changes in assumptions

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

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

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

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# Notes to the financial statements

(CONTINUED)

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## 2. Accounting policies (continued)

Individually applied no impairment would be charged against Developed and Production asset or Exploration and Evaluations assets. The value in use calculations would have a reduction in headroom available. If all three sensitivities were applied to the value in use calculations, an impairment of Exploration and Evaluation assets would be require of £nil as at 30 June 2021.

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 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 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 23 in respect of decommissioning obligations.

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## **2. Accounting policies (continued)**

### **Interest income**

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

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

### **Segment reporting**

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

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

### **Foreign currency**

#### **Functional and presentation currency**

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

#### **Transactions and balances**

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

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

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

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# Notes to the financial statements

(CONTINUED)

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## 2. Accounting policies (continued)

### Taxation

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

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

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

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

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

### Pensions

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

### Share based payments

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

#### Equity-settled transactions

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

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

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

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

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

#### Cash-settled transactions

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

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## 2. Accounting policies (continued)

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

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

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

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

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

### Investments in subsidiaries

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

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

### 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.

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# Notes to the financial statements

(CONTINUED)

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## 2. Accounting policies (continued)

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

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

### Research and development costs

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

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

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

### 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:

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## 2. Accounting policies (continued)

### Goodwill

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

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

### Financial assets

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

#### Measurement of financial assets

##### Recognition

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

##### Classification and measurement

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

- i) The business model within financial assets are managed, and
- ii) Their contractual cash flow characteristics (whether cash flows represent 'solely payments of principal and interest' (SPPI)).

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

##### Financial assets at amortised cost

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

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Any cash balance held where the use is restricted for a specific purpose or future event will be separately noted as "restricted cash" and details provided to explain the restriction.

### Trade receivables

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

### Inventory

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

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# Notes to the financial statements

(CONTINUED)

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## 2. Accounting policies (continued)

### Contract liabilities

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

### Trade payables

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

### Leases

IFRS 16 Leases set out the principles for the recognition, measurement, presentation and disclosure of leases for both lessors and lessees.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. Lessees recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset. There were recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the previous accounting under IAS 17 i.e. lessors continue to classify leases as finance or operating leases.

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

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

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The Company does not currently act as a lessor.

### 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.

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## 2. Accounting policies (continued)

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

#### Accounting judgements

- Oil and Gas expenditure – capitalisation (Note 14)

### New IFRS accounting standards and interpretations adopted in the year

The following standards, amendments and interpretations are new and effective for the year ended 30 June 2021 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities.

- Definition of Material – Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting

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.

- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

# Notes to the financial statements

(CONTINUED)

## 3. Revenue

	2021 £'000	2020 £'000
An analysis of the Group's revenue is as follows:		
<b>Revenue recognised at a point in time</b>		
Gas sales	2,994	2,678
Condensate sales	43	62
Pitreadie	326	540
	<b>3,363</b>	<b>3,280</b>
<b>Revenue recognised over time</b>		
Rendering of energy economics services	245	800
	<b>245</b>	<b>800</b>
<b>Total revenue</b>	<b>3,608</b>	<b>4,080</b>

## 4. Operating (loss)/profit

	2021 £'000	2020 £'000
The operating (loss)/profit is stated after charging/(crediting):		
Pre-award exploration expenditure	261	258
Loss on disposal of development and production assets	–	–
Exploration expenditure written off	10,855	1,298
Depreciation of property, plant and equipment	402	508
Share based payment expense/(credit) (Note 27)	56	(1,313)
Operating lease rentals: other	–	–
Cost of inventory recognised as an expense	64	231
Foreign exchange loss/(gain)	853	(164)

## 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:

	2021 £'000	2020 £'000
Audit fees payable to the auditor for the audit of the Company's annual financial statements	25	50
Audit of the Company's subsidiaries	35	35
<b>Total audit fees</b>	<b>60</b>	<b>85</b>
Audit related services	5	4
<b>Total non-audit fees</b>	<b>5</b>	<b>4</b>
<b>Total audit and non-audit fees</b>	<b>65</b>	<b>89</b>

Audit related services comprise of the review of interim results and were paid to Nexia Smith & Williamson Audit Limited in 2021 and 2020. Total audit fees of £60,000 were payable to Jeffreys Henry Audit Limited in 2021 (2020: £nil). Total audit fees of £nil were paid to Nexia Smith & Williamson Audit Limited in 2021 (2020: £85,000).

## 6. Operating segment information

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

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

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

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

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

Year ended 30 June 2021	Oil and Gas Exploration and Production £'000	Energy Economics £'000	Pitreadie £'000	Consolidated £'000
<b>Revenue</b>				
External customer	3,037	245	326	3,608
<b>Total revenue</b>	<b>3,037</b>	<b>245</b>	<b>326</b>	<b>3,608</b>
<b>Results</b>				
Operating (loss)/profit	(11,565)	(552)	(654)	(12,771)
Finance income	147	1	–	148
Finance costs	(695)	(47)	(77)	(819)
<b>Segment (loss)/profit</b>	<b>(12,113)</b>	<b>(598)</b>	<b>(731)</b>	<b>(13,442)</b>
<b>Operating assets</b>	<b>70,974</b>	<b>3,354</b>	<b>4,399</b>	<b>78,667</b>
<b>Operating liabilities</b>	<b>(19,401)</b>	<b>(255)</b>	<b>(1,290)</b>	<b>(20,946)</b>
<b>Other disclosures</b>				
Capital expenditure	534	–	114	648
Depreciation, amortisation and impairments	11,233	113	120	11,466

# Notes to the financial statements

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## 6. Operating segment information (continued)

- 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

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

- 1) Inter-segment balances are eliminated on consolidation and reflected in the adjustments and eliminations column
- 2) Capital expenditure consists of additions of property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries

## Geographic information

### Revenues from external customers

	2021 £'000	2020 £'000
Europe	3,474	3,644
North America	91	297
Rest of the World	43	139
<b>Total revenue per Group statement of profit or loss</b>	<b>3,608</b>	<b>4,080</b>

The revenue information is based on the location of the customer. Included in revenues from Europe were sales in the Netherlands of £3,037,000 (2020: £2,740,000) and sales in the United Kingdom of £437,000 (2020: £904,000).

### Non-current assets

	2021 £'000	2020 £'000
Europe	53,871	62,553
North America	–	–
Rest of the World	–	–
<b>Total</b>	<b>53,871</b>	<b>62,553</b>

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 £5,009,000 (2020: £4,918,000) and assets held in the United Kingdom of £48,862,000 (2020: £57,635,000).

## 7. Staff costs

Employee benefits expense:

Group	2021 £'000	2020 £'000
Wages and salaries	1,621	1,605
Social security costs	224	196
Other pension costs	142	136
Total staff costs (before share based payments)	1,987	1,937
(Credit)/charge for share based payments (Note 27)	56	(1,364)
Total staff costs	2,043	573

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

	2021 No.	2020 No.
Management and consultants	10	10
Technical	3	3
Admin, Project & IT support	5	9
	18	22

## 8. Directors' emoluments

Directors remuneration in aggregate comprised:

	2021 £'000	2020 £'000
Aggregate emoluments	744	719
Company pension contributions to money purchase schemes	10	10
	754	729

During the year one (2020: one) Director accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £10,000 (2020: £10,000). No director exercised share appreciation rights in the period (2020: £nil). No director exercised share options in the period (2020: 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 2021 £'000	Total 2020 £'000
T P Cross	506	4	–	510	509
R A Stroulger	100	1	10	111	111
C J Percival	–	–	–	–	69
P J Dayer	110	–	–	110	20
D I Rawlinson	–	–	–	–	17
C MacLaren	20	–	–	20	3
R J Finlay	3	–	–	3	–
<b>Total</b>	739	5	10	754	729

# Notes to the financial statements

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## 8. Directors' emoluments (continued)

T P Cross and R Stroulger participated in the share appreciation rights (SARs) arrangements for senior management, details of which are provided in Note 27.

Details of outstanding SARs held by each director as at 30 June 2021:

	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	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	1,444,700	£0.35	7 December 2018	7 December 2027
T P Cross	1,444,700	£0.35	7 December 2019	7 December 2027
T P Cross	1,988,210	£0.27	21 December 2023	21 December 2030
T P Cross	1,988,210	£0.27	21 December 2023	21 December 2030
R Stroulger	350,000	£0.27	21 December 2023	21 December 2030
R Stroulger	350,000	£0.27	21 December 2023	21 December 2030

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

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

No outstanding share options held by directors as at 30 June 2021.

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

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

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

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## 9. Finance income

	2021 £'000	2020 £'000
Bank interest receivable	75	126
Loan interest received	73	73
	<b>148</b>	<b>199</b>

## 10. Finance costs

	2021 £'000	2020 £'000
Unwinding of discount on decommissioning provision	611	579
Interest on late paid tax	5	18
Interest on currency	39	–
Other finance charges	37	–
Interest paid on leases	76	78
Interest payable on loans and borrowings	51	139
	<b>819</b>	<b>814</b>

## 11. Taxation

### a) Income tax

The major components of income tax expense for the years ended 30 June 2021 and 2020 are:

	2021 £'000	2020 £'000
<b>Current tax:</b>		
Corporation tax	–	–
Adjustments in respect of current income tax of previous periods	(300)	(636)
Overseas current taxation	726	326
<b>Total current income tax</b>	<b>426</b>	<b>(310)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(62)	–
<b>Total deferred income tax charge</b>	<b>(62)</b>	<b>–</b>
<b>Income tax (credit)/expense reported in the statement of profit or loss</b>	<b>364</b>	<b>(310)</b>

Tax has been calculated using an estimated annual effective rate of 40% (2020: 40%) on profit before tax.

# Notes to the financial statements

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## 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

	2021 £'000	2020 £'000
<b>(Loss)/profit on ordinary activities before tax</b>	<b>(13,442)</b>	<b>(792)</b>
<b>(Loss)/profit on ordinary activities multiplied by the Group's applicable rate of corporation tax in the UK of 40% (2020: 40%)</b>	<b>(5,377)</b>	<b>(317)</b>
Effects of:		
Expenses not deductible for tax purposes	881	25
Profits taxed outside ring-fence	139	(190)
Deferred tax not recognised	4,296	551
Income not taxable	–	(69)
Prior year adjustment	(301)	(636)
Overseas tax suffered	726	326
<b>Total tax expense/(credit) for the year</b>	<b>364</b>	<b>(310)</b>

### c) Deferred income taxation

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Deferred tax asset</b>				
At 1 July	3	3	–	–
Income statement credit/(charge)	(3)	–	–	–
<b>At 30 June</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>
<b>Deferred tax liability</b>				
At 1 July	1,404	1,284	–	–
Acquisition	–	120	–	–
Tax income recognised in the statement of profit or loss	(65)	–	–	–
<b>At 30 June</b>	<b>1,339</b>	<b>1,404</b>	<b>–</b>	<b>–</b>

## 11. Taxation (continued)

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Deferred tax asset</b>				
Accelerated capital allowances	–	3	–	–
	–	3	–	–
<b>Deferred tax liability</b>				
Accelerated capital allowances	–	–	–	–
Fair value gains	(1,339)	(1,404)	–	–
	(1,339)	(1,404)	–	–
Deferred tax liability, net	(1,339)	(1,401)	–	–

### 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 £147.1 million (2020: £140 million), non-ring fenced trading losses available are £1.6 million (2020: £2.1 million), excess management expenses available are £26.4 million (2020: £34.4 million), capital losses available are £71.4 million (2020: £71.4 million) and unrealised capital losses on financial assets at fair value through other comprehensive income of £3 million (2020: £3 million).

## 12. (Loss)/profit per share

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

	2021	2020
<b>(Loss)/profit per 1.5p ordinary share from continuing operations (pence)</b>		
Basic	(12.64)p	(0.45)p
Diluted	(12.64)p	(0.45)p

The calculations were based on the following information:

	2021 £'000	2020 £'000
<b>Loss attributable to ordinary shareholders</b>		
Continuing operations	(13,806)	(482)
<b>Total</b>	<b>(13,806)</b>	<b>(482)</b>

### Weighted average number of shares in issue

Basic weighted average number of shares	109,188,561	106,282,006
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### Dilutive potential ordinary shares

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

### Diluted (loss)/profit per share

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

# Notes to the financial statements

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## 13. Property, plant and equipment

Group	Development and production £'000	Property, plant and equipment: other £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 July 2020	44,473	9,829	722	55,024
Additions	166	67	47	280
Disposals	–	(4,398)	(1)	(4,399)
Change in estimate of abandonment asset	2,630	–	–	2,630
<b>At 30 June 2021</b>	<b>47,269</b>	<b>5,498</b>	<b>768</b>	<b>53,535</b>
<b>Depreciation</b>				
At 1 July 2020	32,494	509	631	33,634
Disposals	–	(10)	–	(10)
Depreciation charged in the year	129	402	80	611
<b>At 30 June 2021</b>	<b>32,623</b>	<b>901</b>	<b>711</b>	<b>34,235</b>
<b>Net book amount</b>				
<b>At 30 June 2021</b>	<b>14,646</b>	<b>4,597</b>	<b>57</b>	<b>19,300</b>
At 30 June 2020	11,979	9,320	91	21,390

### Property, plant and equipment: other

Property, plant and equipment other include Land and Buildings of £3,710,000 (2020: £8,015,000).

### Right of Use Asset

Group Property, plant and equipment other are right of use assets with a cost of £1,458,000 (2020: £1,458,000) with accumulated depreciation of £759,000 (2020: £381,000) with a net book value of £699,000 (2020: £1,077,000). The incremental borrowing rate applied to the leases ranges between 6-8%.

### Abandonment Asset

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

### Asset Impairment - Athena

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

Production at the Athena field was shut-in in January 2016. The Group has assumed a redevelopment of the remaining reserves in the field over a longer term period in order to achieve the existing carrying value of £10,804,000 (2020: £7,881,000) 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%	\$72-\$61/bbl	\$68/bbl

### 13. Property, plant and equipment (continued)

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

Company	Property, plant and equipment: other £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 July 2020	528	694	1,222
Additions	41	7	48
<b>At 30 June 2021</b>	<b>569</b>	<b>701</b>	<b>1,270</b>
<b>Depreciation</b>			
At 1 July 2020	176	610	786
Depreciation charged in the year	175	75	249
<b>At 30 June 2021</b>	<b>351</b>	<b>685</b>	<b>1,035</b>
<b>Net book amount</b>			
<b>At 30 June 2021</b>	<b>218</b>	<b>17</b>	<b>235</b>
At 30 June 2020	352	84	436

### Right of Use Asset

Company Property, plant and equipment other are right of use assets with a cost of £524,000 (2020: £524,000) with accumulated depreciation of £349,000 (2020: £175,000) with a net book value of £175,000 (2020: £349,000). The incremental borrowing rate applied to the leases is 6%.

The comparable table for 2020 is detailed below:

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

# Notes to the financial statements

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## 13. Property, plant and equipment (continued)

### Abandonment Asset

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

Production at the Athena field was shut-in in January 2016. The Group has assumed a redevelopment of the remaining reserves in the field over a longer term period. Such redevelopment would require a recovery in oil price and the procurement of significant further financing. The following key assumptions were applied over the expected remaining life of the field for the year ended 30 June 2020:

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

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

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

## 14. Intangible assets

Group	Exploration and Evaluation assets £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 July 2020	36,089	2,174	38,263
Additions	369	–	369
Change in estimate of abandonment asset	3,894	–	3,894
Exploration write-off	(10,855)	–	(10,855)
<b>At 30 June 2021</b>	<b>29,497</b>	<b>2,174</b>	<b>31,671</b>
<b>Amortisation and impairment</b>			
At 1 July 2020	–	–	–
<b>At 30 June 2021</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net book amount</b>			
<b>At 30 June 2021</b>	<b>29,497</b>	<b>2,174</b>	<b>31,671</b>
At 30 June 2020	36,089	2,174	38,263

The comparable table for 2020 is detailed below:

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

# Notes to the financial statements

(CONTINUED)

## 14. Intangible assets (continued)

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:

	2021 £'000	2020 £'000
Oil and Gas Exploration and Production	–	–
Energy Economics	2,174	2,174
	<b>2,174</b>	<b>2,174</b>

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 35 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 four-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 six years using a 2% annual growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Energy Economics CGU operates. The main assumption in the cash flow projections is the budgeted revenues. This has been determined using a combination of industry forecasts, long term trend analysis and in-house estimates. Based on these assumptions, at 30 June 2021 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £1,720,000. None of the goodwill is expected to be tax deductible.

## 15. Investment in subsidiaries and joint ventures

Company	Subsidiary and joint venture undertakings £'000
<b>Cost or valuation</b>	
At 1 July 2020	27,443
<b>At 30 June 2021</b>	<b>27,443</b>
<b>Amortisation and impairment</b>	
At 1 July 2020	–
<b>At 30 June 2021</b>	<b>–</b>
<b>Net book amount</b>	
<b>At 30 June 2021</b>	<b>27,443</b>
At 30 June 2020	27,443

## 15. Investment in subsidiaries and joint ventures (continued)

The comparable table for 2020 is detailed below:

Company	Subsidiary and joint venture undertakings £'000
<b>Cost or valuation</b>	
At 1 July 2019	23,922
Additions (Note 16)	3,521
<b>At 30 June 2020</b>	<b>27,443</b>
<b>Amortisation and impairment</b>	
At 1 July 2019	–
<b>At 30 June 2020</b>	<b>–</b>
<b>Net book amount</b>	
<b>At 30 June 2020</b>	<b>27,443</b>
At 30 June 2019	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
<b>Registered in Scotland:</b>			
Aupec Limited	Ordinary	100%	Energy advisory and consulting services
Parkmead (E&P) Limited	Ordinary	100%	Oil & Gas Exploration and Production
Pitreadie Farm Limited*	Ordinary	100%	Mixed farming

\* From 26 September 2019.

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

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

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# Notes to the financial statements

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## 16. Business combinations

### Acquisition of Pitreadie Farm Limited

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

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

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

## 17. Financial assets at fair value through other comprehensive income

The Group and Company no longer hold financial assets at fair value through other comprehensive income.

## 18. Interest bearing loans

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current assets</b>				
Loans issued	-	-	-	-
	-	-	-	-
<b>Non-current assets</b>				
Loans issued	2,900	2,900	2,900	2,900
	2,900	2,900	2,900	2,900

### Loans issued

On 27 July 2017, The Parkmead Group plc entered into a credit facility with Energy Management Associates Limited, whereby Parkmead agreed to lend up to £2,900,000 to Energy Management Associates Limited. The Loan had an initial period of two years, with a fixed interest rate of 2.5 per cent. On 26 July 2021, The Parkmead Group plc entered into a 24-month extension of the interest-bearing loan to Energy Management Associates Limited of £2,900,000. The Loan will continue to bear a fixed interest rate of 2.5 per cent per annum. The Loan has not been discounted on materiality grounds.

Interest charged during the period amounted to £73,000 (2020: £73,000).

### 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current assets</b>				
Trade receivables	342	440	-	-
Less: loss allowance	-	-	-	-
Trade receivables - net	342	440	-	-
Receivables due from group companies	-	-	55,937	54,555
Other receivables	831	718	36	36
Corporation tax recoverable	-	123	-	-
Prepayments	179	133	89	48
	1,352	1,414	56,062	54,639

### 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 £342,000 (2020: £104,000) was due from the Group's largest customer. There is one (2020: nine) other customer who represents more than 5% of the total balance of trade receivables.

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## 19. Trade and other receivables (continued)

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

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Pound Sterling	1,010	1,004	56,062	54,639
Other currencies	342	410	–	–
	<b>1,352</b>	1,414	<b>56,062</b>	54,639

### 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Unrestricted cash in bank accounts	16,857	19,644	4,656	6,963
Restricted cash	6,521	6,064	–	–
	<b>23,378</b>	25,708	4,656	6,963

The restricted cash primarily relates to amounts held in trust as security for future decommissioning liabilities under a standard Decommissioning Security Agreement (DSA) covering the Athena asset being £6,471,000 (2020: £5,714,000).

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

## 21. Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current liabilities</b>				
Trade payables	418	806	182	257
Amounts owed to group companies	–	–	242	159
Other taxes and social security costs	–	–	5	37
Accruals	2,348	3,270	1,964	1,879
Leases	335	361	174	174
Current tax	241	–	–	–
Short term decommissioning provision	389	–	–	–
	<b>3,731</b>	4,437	<b>2,567</b>	2,506

## 21. Trade and other payables (continued)

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Non-current liabilities</b>				
Accruals and deferred income	597	637	15	14
Leases	414	735	–	176
	<b>1,011</b>	<b>1,372</b>	<b>15</b>	<b>190</b>

## 22. Loans

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Non-current liabilities</b>				
Loans	500	3,600	–	–
	<b>500</b>	<b>3,600</b>	<b>–</b>	<b>–</b>

The loans carry an interest rate of 2.5%. Bank of Scotland hold fixed and floating charges over the land held by Pitreadie Farm Limited. The loans are repayable in full in the first half of 2023.

## 23. Decommissioning provisions

	Development and production costs £'000	Total £'000
As at 1 July 2020	7,650	7,650
Changes in estimates	6,524	6,524
Unwinding of discount	611	611
Utilisation of provision	(31)	(31)
Short term provision	(389)	(389)
<b>As at 30 June 2021</b>	<b>14,365</b>	<b>14,365</b>

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 12 years. The provision has been estimated using existing technology at current prices, escalated at 2% 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 2020 is detailed below:

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

# Notes to the financial statements

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## 24. Contingent deferred consideration

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

## 25. Financial instruments and financial risk factors

### Financial risk management

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

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

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

### 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.

	2021 £'000	2020 £'000
Floating rate financial assets < 1 year	23,378	25,708
<b>Total</b>	<b>23,378</b>	<b>25,708</b>

At 30 June 2021, short-term deposits were earning interest at a weighted average fixed deposit rate of 0.32% (2020: 0.49%). 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 2021, interest bearing loans were earning interest at a fixed interest rate of 2.50% (2020: 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 2021, 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 £342,000 (2020: £440,000). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions. The Group does not hold collateral as security.

Interest bearing loans credit risk is managed by regularly monitoring the underlying asset value coverage of the loanee. The requirement for impairment is analysed in respect of interest bearing loans at each reporting date. The maximum exposure to credit risk at the reporting date amounted to £2,936,000 (2020: £2,936,000). The Group does not hold collateral as security.

## 25. 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Trade payables and other liabilities</b>				
6 months or less	<b>3,731</b>	4,437	<b>2,567</b>	2,506
6-12 months	–	–	–	–
More than 1 year	<b>1,011</b>	1,372	<b>15</b>	190
	<b>4,742</b>	5,809	<b>2,582</b>	2,696

### 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 53 pence in 2021 (2020: 70 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 2021 was £11,445,000 (2020: £11,332,000); Company £226,000 (2020: £175,000). A 10% change in Sterling exchange rate will result in a profit or loss pre-tax recognised in the statement of profit or loss of £1,145,000 (2020: £1,133,000) in the Group; Company £23,000 (2020: £18,000).

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 2021 was £nil (2020: £nil). A 10% change in Sterling exchange rate will result in an increase or decrease of £nil (2020: £nil) in the Group.

### Fair values of financial assets and liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2021. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2021		2020	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets at amortised cost	<b>4,252</b>	<b>4,252</b>	4,314	4,314
Financial liabilities at amortised cost	<b>(5,242)</b>	<b>(5,242)</b>	(9,409)	(9,409)
	<b>(990)</b>	<b>(990)</b>	(5,095)	(5,095)

### 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.

# Notes to the financial statements

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## 25. 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.

## 26. Share capital and reserves

	Authorised	
	2021 No.	2020 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	
	2021 No.	2020 No.
Ordinary shares of £0.015 each	109,266,931	108,574,829
Deferred shares of £0.049 each	368,341,780	368,341,780
	477,608,711	476,916,069
	£'000	£'000
Ordinary shares of £0.015 each	1,639	1,629
Deferred shares of £0.049 each	18,049	18,049
	19,688	19,678

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

In September 2019 9,645,669 ordinary shares were issued on the acquisition of Pitreadie Farm Limited (Note 16). The non cash consideration included £145,000 recorded against share capital, and £3,376,000 against a merger reserve. The merger reserve represents the premium on the issue of the consideration shares and is non distributable. Recorded in line with Section 612 of the Companies Act 2006.

## 27. 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 2021, 8 employees (2020: 13) 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 2021 is £1,500,000 (2020: £1,448,000).

### Deferred share payments – cash settled

R Finlay and C MacLaren participated in deferred share payments (DSPs) arrangements for Non-Executive Directors. R Finlay will receive 166,666 shares subject to them fulfilling a three year service commitment. C MacLaren will receive 235,756 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 2021 is £45,000 (2020: £212,000).

### (Credit)/expense arising from share based payments

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

	2021 £'000	2020 £'000
Equity-settled share based payments	(41)	51
Cash-settled share based payments	97	(1,364)
	<b>56</b>	<b>(1,313)</b>

The SARs are settled by cash and are therefore revalued with the movement in share price.

### Movements in the year

The movement in share option awards during the year ended 30 June 2021 is as follows:

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	2,148,895	£0.36	1,842,228	£0.36
Granted	780,000	£0.27	500,000	£0.35
Exercised	–	–	–	–
Lapsed	(66,667)	£0.23	(133,333)	–
Forfeited	(1,263,928)	£0.39	(60,000)	–
Outstanding at 30 June	1,598,300	£0.31	2,148,895	£0.36
Exercisable at 30 June	358,300	£0.37	1,044,295	£0.36

# Notes to the financial statements

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## 27. Share based payments (continued)

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

Expiry date	Exercise price	2021	2020
11 October 2020	£0.23	–	66,667
21 December 2025	£0.41	<b>149,000</b>	977,628
7 December 2027	£0.35	<b>209,300</b>	544,600
1 January 2029	£0.35	<b>60,000</b>	60,000
1 December 2029	£0.35	<b>300,000</b>	300,000
1 January 2030	£0.35	<b>100,000</b>	200,000
21 December 2030	£0.27	<b>780,000</b>	–
		<b>1,598,300</b>	2,148,895

The options outstanding at 30 June 2021 had a weighted average remaining contractual life of 8.3 years (2020: 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
December 2015	£0.41	£0.41	42%	3 years	10 years	0%	1.94%	£0.19
December 2017	£0.35	£0.35	48%	3 years	10 years	0%	1.28%	£0.18
November 2019	£0.63	£0.35	54%	3 years	10 years	0%	1.56%	£0.41
January 2020	£0.50	£0.35	45%	3 years	10 years	0%	1.27%	£0.28
December 2019	£0.50	£0.35	46%	3 years	10 years	0%	0.84%	£0.28
January 2020	£0.47	£0.35	51%	3 years	10 years	0%	0.82%	£0.27
December 2020	£0.37	£0.27	55.9%	3 years	10 years	0%	0.2%	£0.23

Volatility was calculated from an average of the Group's shares monthly volatility from March 2011.

The movement in SARs during the year ended 30 June 2021 is as follows:

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	<b>9,314,068</b>	<b>£0.39</b>	9,314,068	£0.39
Granted	<b>4,676,420</b>	<b>£0.27</b>	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	–
Forfeited	<b>(3,212,334)</b>	<b>£0.41</b>	–	–
Outstanding at 30 June	<b>10,778,154</b>	<b>£0.33</b>	9,314,068	£0.39
Exercisable at 30 June	<b>6,101,734</b>	<b>£0.38</b>	9,314,068	£0.39

## 27. Share based payments (continued)

The fair value of the SARs granted at 30 June 2021 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 2021	Exercise price	Volatility	Vesting Period	Expected life	Expected dividend yield	Risk free rate
December 2015	3,212,334	£0.45	£0.41	49%	1 year	10 years	0%	0.72%
December 2017	1,444,700	£0.45	£0.35	49%	1 year	10 years	0%	0.72%
December 2017	1,444,700	£0.45	£0.35	49%	2 years	10 years	0%	0.72%
December 2020	4,676,420	£0.45	£0.27	49%	3 years	10 years	0%	0.72%

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

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

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Operating profit/(loss)	(12,771)	(177)	(1,186)	442
Depreciation	611	764	249	250
Amortisation and exploration write-off	10,855	1,298	-	-
Loss on sale of property, plant and equipment	388	-	-	-
Gain on bargain purchase	-	(362)	-	-
Provision for share based payments	(41)	51	(41)	51
Currency translation adjustments	853	(164)	2	(3)
Decreases/(increase) in receivables	62	(683)	(1,423)	(3,546)
Decrease in stock	65	230	-	-
Increase/(decrease) in payables	(1,213)	(75)	283	(1,347)
	(1,191)	882	(2,117)	(4,153)

## 29. Reconciliation of liabilities arising from financing activities

The Group has a loan from financing activities which can be seen in Note 22. The Company has no liabilities from financing activities.

# Notes to the financial statements

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## 30. Leases

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

Discounted maturity analysis of IFRS 16 Leases:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	335	361	174	174
Within two to five years	414	701	–	176
More than five years	–	34	–	–
	<b>749</b>	<b>1,096</b>	<b>174</b>	<b>350</b>

## 31. Ultimate controlling party and related party transactions

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

### Transactions with subsidiaries

Transactions with subsidiaries mainly comprise sale and purchase of services in the ordinary course of business at normal commercial terms and in total amounted to £2,112,000 (2020: £2,662,000). The Parkmead Group plc received dividends from subsidiaries of £nil (2020: £nil).

Any balances outstanding at 30 June 2021 and 2020 in respect of the above transactions are shown in Note 19 and Note 21.

### Transactions with Directors

In August 2012, the Company entered into a 10 year lease with Tilestamp Limited, a company where T P Cross is a director and a shareholder. In November 2015, the Company entered into an additional 10 year lease with Tilestamp Limited. Invoices paid during the period amounted to £316,000 (2020: £409,000). As at 30 June 2021 a right of use asset for leased buildings was held on the balance sheet of £604,000 (2020: £886,000). As at 30 June 2021 a lease liability for buildings was held on the balance sheet of £641,000 (2020: £894,000).

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 was extended on 26 July 2021 for an additional two years, with a fixed interest rate of 2.5 per cent. Energy Management Associates Limited is a company where T P Cross is a director and a shareholder. Further details of the Loan are provided in Note 18.

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

## Key management

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

	2021 £'000	2020 £'000
Short-term employee benefits	744	719
Post-employment pension benefits	10	10
Share-based payment transactions	97	(1,313)
	<b>851</b>	<b>(574)</b>

## 32. Jointly Controlled Assets

Fields in production or under development as at 30 June 2021:

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 2021:

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.2516	14/20g, 15/16g	Fynn	Parkmead (E&P) Limited	50
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.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

\* Licence expired 31 July 2021.

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# Officers and professional advisors

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## Directors

T P Cross  
R A Stroulger  
P J Dayer (Retired 30/04/21)  
C J MacLaren  
R J Finlay (Appointed 1/5/21)

## Group Head Office

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Aberdeen  
AB10 1YN

## Solicitors

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Union Plaza  
1 Union Wynd  
Aberdeen  
AB10 1DQ

## Registrars

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## Nominated Adviser & Broker

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EC1A 7BL

## Secretary and Registered office

R A Stroulger  
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## Registered number

03914068



In keeping with Parkmead's ESG vision and commitment to minimise the environmental impact of our activities this year's Annual Report mailing was packaged using fully recyclable materials.

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