27 March 2020

The Parkmead Group plc
("Parkmead", "the Company" or "the Group")

Interim Results for the six-month period ended 31 December 2019

Parkmead, the UK and Netherlands focused energy group, with four business areas, is pleased to report its interim results for the six-month period ended 31 December 2019.

HIGHLIGHTS

Strong financial position and robust producing assets, despite current low gas price environment

- Well capitalised, with cash balances of US$33.6 million (£25.9 million) as at 31 December 2019 (2018: £23.6 million), equivalent to 23.9 pence per share
- Total asset base increased by 11% to £88.8 million at 31 December 2019 (2018: £79.9 million)
- Net assets increased to £70.1 million at 31 December 2019 (2018: £66.6 million)
- In September 2019 the Company issued 9,645,669 new ordinary shares as part of the renewable energy acquisition of Pitreadie Farm Limited ("Pitreadie")
- Parkmead maintains strict financial discipline with very low operating costs
- Revenue for the period was £2.1 million (2018: £5.3 million), principally due to the considerable reduction in gas prices
- Gross profit achieved of £0.8 million (2018: £3.8 million)
- Gas prices have fallen from highs of approximately €25.7/MWh in October 2018 to lows not seen in over a decade of around €8.6/MWh in February 2020 due to the oversupply of Liquefied Natural Gas (LNG) into the European market
- Parkmead's Netherlands assets remain very low cost to operate
- Netherlands gas production, plus benchmarking & economics consultancy, provides positive operating cash flow to Parkmead of £0.9 million in the period

Strategic move into renewable energy opportunities; significant wind farm potential

- Studies are being conducted on the Group's acquired onshore land for the potential development of a large wind farm
- One of the large areas of land acquired by Parkmead lies adjacent to the Mid Hill Wind Farm which encompasses 33 Siemens wind turbines with a generating capacity of around 75MW
- Other renewable opportunities exist within the acquired land base
- Renewable energy opportunities accessed through strategic acquisition of Pitreadie, where a gain on purchase was recorded of £0.36 million
- Parkmead's early commitment to building a balanced energy business through its focus on gas, widely seen as the primary transition fuel, pre-empted the recent energy transition debate
- Member of Vision 2035 which aims to provide a roadmap to a lower carbon energy mix

Increased activity across Netherlands portfolio; multiple new opportunities identified

- Exit gross production at the Group's Netherlands assets averaged 39.9 million cubic feet per day ("MMscfd") for December 2019, approximately 6,868 barrels of oil equivalent per day ("boepd")
- The Brakel field was brought back to full production during the period following the completion of a work programme
- Gross Brakel production reached 3.0 MMscfd, approximately 516 boepd, during the period
- Concept selection planning at the Papekop oil and gas discovery has begun, a proven field with 24.2 million barrels ("MMBbl") of oil-in-place and 39.4 billion cubic feet ("Bcf") of gas-in-place
- Further production enhancement work planned on Parkmead's Netherlands portfolio, including compression optimisation work at Grolloo during 2020 to maximise production, plus development planning at the Ottoland oil and gas discovery
- Multiple exploration opportunities exist around Diever West, such as the Boergrup and De Bree prospects, both of which contain stacked targets with similar characteristics to Diever West

- A new seismic reprocessing project began in Q4 2019, which will help define and high-grade the extensive prospectivity around Diever West
- Dynamic reservoir modelling suggests Diever West held initial gas-in-place of approximately 108 Bcf, more than double the post-drill static volume estimate of 41 Bcf

Significant progress on Skerryvore, GPA and Platypus oil and gas projects

- New seismic purchased in Q3 2019 covering the Skerryvore prospect and surrounding area, which is being reprocessed throughout 2020 to mature the collection of prospects
- 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 is in commercial discussions with the Scott field partnership, including CNOOC, in order to potentially agree terms for a tie-back of the Greater Perth Area ("GPA") to the Scott facilities
- Parkmead is also holding discussions with a number of leading, internationally-renowned service companies in relation to the GPA project
- Field Development Plan draft and Environmental Statement submitted to the OGA and OPRED, respectively, for the development of the Platypus gas project in the UK Southern North Sea
- Selected development concept is a subsea tie-back to the Cleeton platform and commercial discussions are ongoing

Substantial oil and gas reserves and resources

- 2P reserves of 45.7 MMBoe as at 1 March 2020 (46.0 MMBoe as at 1 March 2019)

Well positioned for further acquisitions and opportunities

- Eight acquisitions, at both asset and corporate level, have been completed to date
- Parkmead is actively evaluating further growth opportunities, including wider energy-related opportunities

Parkmead's Executive Chairman, Tom Cross, commented:

"I am pleased to report excellent progress in the six-month period to 31 December 2019 across the Group, despite our revenues being impacted by the low gas price environment. Parkmead has delivered growth in its asset base whilst retaining financial strength. This creates a very good foundation from which to build and gives us confidence that we will remain robust in the context of broader global uncertainty brought about by the COVID-19 pandemic.

Through a strategic acquisition, we are evaluating a number of renewable energy opportunities. Renewable energy is directly in line with Parkmead's business plan, broadening and enhancing the Group's energy asset base.

Potential has been identified for a large wind farm project on the Group's newly acquired land.

We are also pleased with the advances made within the Greater Perth Area project. The Group is in discussions with a number of leading, international service companies and oil companies in relation to driving forward the GPA project.

The team at Parkmead continues to work intensively to evaluate and execute further value-adding opportunities which could provide additional upside for the Group.

Parkmead is well positioned for the future. We have excellent UK and Netherlands regional expertise, significant cash resources, and a growing portfolio of high-quality assets. The Group will continue to build upon the inherent value in its existing interests with a balanced, acquisition-led, growth strategy securing opportunities that maximise long-term value for our shareholders."

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Review of Activities

Parkmead has delivered significant growth in its asset base across the UK and the Netherlands, continuing to build a high-quality portfolio.

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

As part of a broader strategic shift, the acquisition provides Parkmead with its first renewable energy opportunities, with potential already identified for the installation of a large wind farm project.

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

One of the large areas of land acquired spans 1,238 acres and is located some 15 miles west of Aberdeen. Excellent average wind speeds exist on the site of between 7-10 m/s. This site lies adjacent to the Mid Hill Wind Farm which contains 33 Siemens wind turbines with a generating capacity of around 75MW. Woodland planting has already been undertaken on part of this large site, which has the potential for a commercial biomass supply operation. Parkmead will be conducting a detailed analysis for optimising the land use of the various sites within the Pitreadie portfolio throughout 2020.

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

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

Gas is widely seen as the primary transition fuel as the UK targets a net zero carbon position by 2050. Parkmead identified gas as a major growth market in 2011 and acquired its Netherlands gas portfolio a year later. The acquisition has been a tremendous success for Parkmead and the Group has increased its production almost tenfold since 2014.

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

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

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

Development studies work is progressing on Parkmead's GPA project, which has the potential to deliver 75-130 MMBoe on a P50 basis. The Company is in commercial discussions with the Scott field partnership, led by China National Offshore Oil Corporation (CNOOC) International, in order to explore terms for a tie-back of the GPA oil hub project to the Scott facilities. Scott lies just 10km southeast of the GPA project and a tie-back could yield a number of mutually beneficial advantages for both the Scott partnership and Parkmead. A tie-back to Scott is one path to potentially unlock the substantial value of the GPA project. Parkmead is also holding discussions with a number of leading, internationally-renowned service companies in relation to the GPA project.

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

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

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

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

The selected development concept will consist of two wells connected to a subsea manifold, with gas export to the Cleeton platform via a 23km pipeline. Produced fluids will arrive at the Cleeton facilities before being routed directly to the Dimlington Terminal for separation and processing.

Increased activity across the Netherlands asset base

Exit gross production at the Group's Netherlands assets averaged 39.9 MMscfd for December 2019, approximately 6,868 boepd. A planned two week maintenance programme was carried out at the Garijp treatment centre in September 2019, taking Diever West offline during this short time period.

The Brakel field was brought back to full production during the period following the completion of a work programme. Gross production at Brakel reached 3.0 MMscfd, approximately 516 boepd, during the period.

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

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

Parkmead's Netherlands portfolio includes producing gas fields with a very low operating cost. Despite the current low gas price environment, this provides important cash flow to the Group via profitable gas production.

Detailed work has begun on the Ottoland oil and gas discovery, located on the same Andel Va block as the Brakel gas field. Seismic interpretation and depth migration studies have been completed, followed by the construction of a dynamic simulation model used to analyse well locations and scenarios. Further modelling work will be undertaken ahead of development concept selection.

New structural and static modelling has been completed at the Papekop oil and gas discovery, refining the volume estimates. Concept selection planning has begun at Papekop and compression optimisation work will be carried out at the Group's Grolloo field during 2020.

Results

During the six-month period to 31 December 2019, the Group generated revenues of £2.1 million (2018: £5.3 million). This reduction is mainly a result of the considerable fall in gas prices. Gas prices have fallen from highs of approximately €25.7/MWh in October 2018 to lows not seen in over a decade of around €8.6/MWh in February 2020 due to the oversupply of Liquefied Natural Gas (LNG) into the European market. Gross profit for the period was £0.8 million (2018: £3.8 million). Detailed technical work undertaken across the wider Parkmead portfolio has allowed the Group to release non-core acreage, such as licence P.2218, considerably reducing licence costs. The release of this acreage led to a non-cash impairment charge of £1.3 million which contributed to the net loss of £1.7 million for the period (2018: £2.2 million profit).

Parkmead's Netherlands portfolio remains very low cost to operate, demonstrating the robust nature of these high-quality assets.

Administrative expenses/credits amounted to a £0.8 million expense (2018: £0.3 million credit). Underlying administrative expenses (not including non-cash share based payment credits/charges) are continually being monitored and reviewed to ensure that Parkmead maintains a strong balance sheet.

Parkmead's total assets as at 31 December 2019 stood at £88.8 million (2018: £79.9 million). Parkmead is very carefully managed and retains an excellent financial positon. Cash and cash equivalents at year end were £25.9 million (2018: £23.6 million). Interest bearing loan assets were £2.9 million (2018: £3.0 million). £3.6 million of debt was held during the period (2018: £nil), assumed through the purchase of Pitreadie. The Group's net asset value was £70.1 million (2018: £66.6 million). Parkmead is therefore well positioned for growth. This positive position is a direct result of experienced portfolio management and a strong focus on the Company's capital discipline.

Development of the Senior Management Team

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

The Company has made a carefully integrated series of appointments to firstly increase the team's capabilities, and secondly to prepare for planned retirements. This has included appointing a new Managing Director for the North Sea, a new Group Financial Controller and a new Managing Director for Aupec Ltd. Given the continual renewal of expertise and independent thinking outlined above, Parkmead is well positioned for future growth with a strong and balanced portfolio of assets and an experienced team focused on delivery.

Outlook

Parkmead has delivered significant growth in its asset base in the six-month period to 31 December 2019, whilst maintaining the Group's healthy financial position. The acquisition of Pitreadie expands the Group's asset base and provides Parkmead access to renewable energy opportunities.

Despite the current low oil and gas price environment, the Directors of Parkmead are pleased with the Group's continuing progress in building a high-quality business of increasing breadth and scale. Parkmead has a strong core of profitable gas production and a balanced portfolio with significant upside. Therefore, we believe Parkmead is well positioned to build further on the progress to date and to capitalise on new opportunities.

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

As we move further into 2020, Parkmead maintains its appetite for acquisitions and is looking carefully at a number of opportunities. The Board of Directors is confident that Parkmead is well positioned to drive the business forward and to build upon the achievements already made to date.

COVID-19

The health and safety of the Company's employees and stakeholders is a priority, and the Company is ensuring that best-practice procedures are followed. Parkmead continues to monitor the ongoing COVID-19 pandemic and we do not currently anticipate material disruptions to our production in the Netherlands. Given the Group's healthy financial position and strong asset base, the Board believes Parkmead is well-placed to withstand the challenges brought about by COVID-19.

Tom Cross
Executive Chairman

27 March 2020

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014. Upon the publication of this announcement, the information contained herein is now considered to be in the public domain.

Notes:

1. Tim Coxe, Parkmead Group's Managing Director, North Sea, who holds a First-Class Master's Degree in Engineering and over 20 years of experience in the oil and gas industry, has overseen the review and approval of the technical information contained in this announcement. Reserves and contingent resource estimates are stated as at 1 March 2020. Parkmead's evaluation of reserves and resources was prepared in accordance with the 2007 Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers and reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

<u>Glossary of key terms</u>

boped	Barrels of oil equivalent per day
Bcf	Billions of cubic feet of gas
Gas in place	The total quantity of gas that is estimated to exist originally in naturally occurring reservoirs

Oil in place	The total quantity of oil that is estimated to exist originally in naturally occurring reservoirs
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources
Recoverable resources	Those quantities of hydrocarbons that are estimated to be producible from discovered or undiscovered accumulations
Proved and Probable or "2P"	Those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50 per cent. probability that the actual quantities recovered will equal or exceed the 2P estimate
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status
P50	Reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median or best case estimate
2C	Denotes the best estimate scenario, or P50, of Contingent Resources
FEED	Front End Engineering Design

Group statement of profit or loss

for the six months ended 31 December 2019

	Notes	Six months to 31 December 2019 (unaudited) £'000	Six months to 31 December 2018 (unaudited) £'000	Twelve months to 30 June 2019 (audited) £'000
Revenue		2,111	5,274	8,269
Cost of sales		(1,308)	(1,432)	(2,524)
Gross profit		803	3,842	5,745
Exploration and evaluation expenses	2	(1,475)	(162)	(171)
Administrative (expenses)/credit	3	(836)	304	(436)
Operating (loss) / profit		(1,508)	3,984	5,138
Gain on bargain purchase	8	362	-	-
Finance income		95	76	209
Finance costs		(362)	(269)	(546)
(Loss) / profit before taxation		(1,413)	3,791	4,801
Taxation		(303)	(1,586)	(2,385)
(Loss) / profit for the period attributable to the equity holders of the Parent		(1,716)	2,205	2,416
(Loss) / earnings per share (pence)				
Basic	6	(1.65)	2.23	2.44
Diluted		(1.65)	2.04	2.43

Group statement of profit or loss and other comprehensive income

for the six months ended 31 December 2019

	Notes	Six months to 31 December 2019 (unaudited) £'000	Six months to 31 December 2018 (unaudited) £'000	Twelve months to 30 June 2019 (audited) £'000
(Loss) / profit for the period		(1,716)	2,205	2,416
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Gain on disposal of financial assets	5	-	130	-
Fair value gain on financial assets	5	-	15	-
		-	145	-
Items that may be reclassified subsequently to profit or loss				
Fair value gain on financial assets		-	-	651
		-	-	651
Income tax relating to components of other comprehensive income		-	-	-
Other comprehensive income for the period, net of tax		-	145	651
Total comprehensive (loss) / profit for the period attributable to the equity holders of the Parent		(1,716)	2,350	3,067

Group statement of financial position

as at 31 December 2019

	Notes	At 31 December 2019	At 31 December 2018	At 30 June 2019
		(unaudited)	(unaudited)	(audited)
		£'000	**£'000**	**£'000**
Non-current assets				
Property, plant and equipment: development & production		11,589	12,442	11,657
Property, plant and equipment: other		9,491	154	165
Intangible assets		42	-	-
Goodwill		2,174	2,174	2,174
Exploration and evaluation assets		34,918	31,381	34,052
Financial assets	5	-	5,715	-
Interest bearing loans		2,937	2,967	-
Deferred tax assets		3	3	3
Total non-current assets		61,154	54,836	48,051
Current assets				
Trade and other receivables		1,419	1,466	658
Interest bearing loans		-	-	2,900
Stock		320	-	-
Cash and cash equivalents		25,880	23,552	30,666
Total current assets		27,619	25,018	34,224
Total assets		88,773	79,854	82,275
Current liabilities				
Trade and other payables		(4,988)	(4,774)	(4,560)
Current tax liabilities		-	(576)	(1,563)
Total current liabilities		(4,988)	(5,350)	(6,123)
Non-current liabilities				
Other liabilities and accrued income		(645)	(32)	(5)
Lease liabilities		(1,192)	-	-
Bank loan		(3,600)	-	-
Deferred tax liabilities		(1,404)	(1,284)	(1,284)
Decommissioning provisions		(6,873)	(6,598)	(6,607)
Total non-current liabilities		(13,714)	(7,914)	(7,896)
Total liabilities		(18,702)	(13,264)	(14,019)
Net assets		70,071	66,590	68,256
Equity attributable to equity holders				
Called up share capital		19,678	19,533	19,533
Share premium		91,181	87,805	87,805
Revaluation reserve		-	(310)	-
Retained deficit		(40,788)	(40,438)	(39,082)
Total equity		70,071	66,590	68,256

Group statement of changes in equity

for the six months ended 31 December 2019

	Share capital	Share premium	Revaluation reserve	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2018	19,533	87,805	(325)	(42,789)	64,224
Profit for the period	-	-	-	2,205	2,205
Gain on disposal of financial assets	-	-	-	130	130
Fair value gain on financial assets	-	-	15	-	15
Total comprehensive income for the period	-	-	15	2,335	2,350
Share-based payments	-	-	-	16	16
At 31 December 2018	19,533	87,805	(310)	(40,438)	66,590
Profit for the period	-	-	-	211	211
Fair value gain on financial assets	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	211	211
Transfer revaluation reserve on disposal of financial assets at fair value through other comprehensive income	-	-	310	(310)	-
Gains arising on repayment of employee share based loans	-	-	-	941	941
Share-based payments	-	-	-	8	8
At 30 June 2019	19,533	87,805	-	(39,082)	68,256
Loss for the period	-	-	-	(1,716)	(1,716)
Total comprehensive income for the period	-	-	-	(1,716)	(1,716)
Issue of share capital	145	3,376	-	-	3,521
Share-based payments	-	-	-	10	10
At 31 December 2019	19,678	91,181	-	(40,788)	70,071

Group statement of cashflows
for the six months ended 31 December 2019

	Notes	Six months to 31 December 2019 (unaudited) £'000	Six months to 31 December 2018 (unaudited) £'000	Twelve months to 30 June 2019 (audited) £'000
Cashflows from operating activities				
Cashflows from operations	7	921	3,164	4,733
Taxation paid		(2,592)	(1,949)	(1,779)
Net cash (used in) / generated from operating activities		(1,671)	1,215	2,954
Cash flow from investing activities				
Interest received		37	40	239
Acquisition of exploration and evaluation assets		(2,154)	(1,633)	(3,744)
Proceeds from sale of financial assets at fair value through other comprehensive income		-	-	6,351
Acquisition of property, plant and equipment: development and production		(39)	-	(63)
Disposal of property, plant and equipment: development and production		-	-	211
Acquisition of property, plant and equipment: other		(393)	(144)	(190)
Other liabilities				
Proceeds from financial assets		-	130	-
Net cash from Pitreadie		24	-	-
Loans issued		-	-	-
Net cash (used in) / generated by investing activities		(2,525)	(1,607)	2,804
Cash flow from financing activities				
Issue of ordinary shares		-	-	-
Interest paid		(20)	(22)	(45)
Proceeds from loans and borrowings		-	-	941
Net cash (used in) / generated by financing activities		(20)	(22)	896
Net (decrease) / increase in cash and cash equivalents		(4,216)	(414)	6,654
Cash and cash equivalents at beginning of period		30,666	23,804	23,804
Effect of foreign exchange rate differences		(570)	162	208
Cash and cash equivalents at end of period		25,880	23,552	30,666

Notes to the Interim financial statements

1 Accounting policies

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRIC) interpretations. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and IFRIC and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 30 June 2020.

The Group has chosen not to adopt IAS 34 – Interim Financial Statements, in preparing these financial statements.

The accounting policies applied in this report are the same as those applied in the consolidated financial statements for the year ended 30 June 2019, with the exception of IFRS 16 "leases" which is the new standard applicable and mandatory for the year ending 30 June 2020. The new standard does not have a material impact on the financial statements on a net basis. However, the standard does increase the assets and liabilities of the group through the recognition of right of use assets and corresponding lease liabilities. No new material accounting standards have been adopted due to the acquisition of Pitreadie Farm Limited, which occurred in the period.

Non-statutory accounts

The financial information set out in this interim report does not constitute the Group's statutory accounts.

The financial information for the year ended 30 June 2019 has been extracted from the audited statutory accounts. The statutory accounts for the year ended 30 June 2019 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The financial information for the 6 months ended 31 December 2019 and 31 December 2018 is unaudited.

2 Exploration and evaluation expenses

Exploration and evaluation expenses includes impairment charges of £1,287,000 recorded in respect of exploration licences relinquished in the period (Six months to 31 December 2018: £nil, Twelve months to 30 June 2019: £nil).

3 Administrative (expenses)/credit

Administrative (expenses)/credit include a credit in respect of a non-cash revaluation of share appreciation rights (SARs) totalling £349,000 (Six months to 31 December 2018: £704,000 credit, Twelve months to 30 June 2019: £1,079,000 credit). The SARs may be settled by cash or shares and are therefore revalued with the movement in share price. The valuation was impacted by the decrease in The Parkmead Group plc share price between 30 June 2019 and 31 December 2019.

Administrative (expenses)/credit also includes a foreign exchange expense of £560,000 (Six months to 31 December 2018: £177,000 credit, Twelve months to 30 June 2019: £181,000 credit).

4 Interest bearing loans

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

The Loan has a period of two years, with a fixed interest rate of 2.5 per cent. Interest charged during the period amounted to £37,000 (Six months to 31 December 2018: £37,000, Twelve months to 30 June 2019: £73,000).

On 27 July 2019, The Parkmead Group plc entered into a 24-month extension of the interest-bearing loan to Energy Management Associates Limited.

Notes to the Interim financial statements

5 Financial assets

In January 2019, a recommended cash offer for Faroe Petroleum was received from DNO ASA of 160 pence for each share in Faroe Petroleum. This offer was successful and Parkmead received £6.2 million at the end of January 2019.

6 (Loss) / earnings per share

Earnings / (loss) per share attributable to equity holders of the Company arise as follows:

	Six months to 31 December 2019 (unaudited)	Six months to 31 December 2018 (unaudited)	Twelve months to 30 June 2019
(Loss) / earnings per 1.5p ordinary share (pence)			
Basic	(1.65)	2.23	2.44
Diluted	(1.65)	2.04	2.43

The calculations were based on the following information:

	Six months to 31 December 2019 (unaudited) £'000	Six months to 31 December 2018 (unaudited) £'000	Twelve months to 30 June 2019 £'000
(Loss) / earnings attributable to ordinary shareholders	(1,716)	2,205	2,416
Weighted average number of shares in issue			
Basic weighted average number of shares	104,014,105	98,929,160	98,929,160
Dilutive potential ordinary shares			
Share options	9,314,068	9,314,068	9,314,068

Basic (loss) / earnings per share is calculated by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

Notes to the Interim financial statements

7 Notes to the statement of cashflows

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

	Six months to 31 December 2019	Six months to 31 December 2018	Twelve months to 30 June 2019
	(unaudited)	(unaudited)	
	£'000	£'000	£'000
Operating (loss) / profit	(1,508)	3,984	5,138
Depreciation	240	173	217
Amortisation and exploration write-off	1,475	-	-
Disposal of development and production assets	-	-	22
Provision for share based payments	-	16	24
Currency translation adjustments	570	(162)	(208)
Increase in receivables	(237)	(171)	636
Decrease in stock	41	-	-
Increase/(decrease) in payables	340	(676)	(1,096)
Net cash flow from operations	921	3,164	4,733

8 Business Combination

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. If new information becomes available within the next 12 months from 26 September 2019, the Group may change the fair values in the purchase price allocation in accordance with IFRS 3. The provisional fair values of the identifiable assets and liabilities of Pitreadie at the acquisition date are shown below:

	£ 000
Non current assets	
Intangible assets	52
Property, plant and equipment: other	8,101
Current assets	
Stock	361
Debtors	103
Prepayments and accrued income	10
Cash	24
Current creditors	
Trade creditors	(37)
Other creditors and accruals	(68)
Lease liabilities	(289)
Non current liabilities	
Bank loan	(3,600)
Accruals and deferred income	(654)
Deferred tax liability	(120)
Net assets	3,883
Non cash consideration	(3,521)
Gain on bargain purchase	**(362)**

The land and buildings, being acquired, assuming no upside from renewable opportunities, were valued at £7.59 million by CKD Galbraith LLP, a leading independent property consultancy. Based on this valuation the group has made a bargain purchase gain of £362,000.