

30 August 2019

## The Parkmead Group plc

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

### **Parkmead expands into the renewable energy sector through acquisition and related party transaction**

Parkmead, the UK and Netherlands-focused group, with four complementary business areas, is pleased to announce it has signed a share purchase agreement to acquire the entire issued share capital of Pitreadie Farm Limited ("**Pitreadie**"), a company owning extensive farmland and sites in Scotland with significant renewable energy potential (the "**Acquisition**").

#### **HIGHLIGHTS**

- The consideration comprises £4.9 million payable in new Parkmead shares, alongside the adoption of an existing £3.6 million loan from Bank of Scotland
- The Acquisition provides Parkmead with significant renewable energy opportunities
- Potential has been identified for the installation of numerous wind turbines, a solar farm and a biomass production facility on the acquired land, totalling some 2,320 acres
- One of the large acquired sites lies adjacent to a major operational wind farm and benefits from excellent average wind speeds of between 7-10 m/s
- The renewables sector is a natural expansion of Parkmead's energy operations and is fully in line with the Group's strategy to increase the balance of Parkmead's portfolio
- Acquisition broadens Parkmead's operations and will add a third revenue-generating business area to the Group
- As a result of the Acquisition, the shareholding of Parkmead's Executive Chairman Tom Cross and his affiliates will increase from approximately 19.05% to 25.97%

#### **Summary of the Acquisition**

The Acquisition comprises £4.9 million which will be entirely satisfied by the issue of 9,645,669 new ordinary shares of 1.5 pence each ("**Consideration Shares**"). As part of the Acquisition, Parkmead will also assume £3.6 million of Bank of Scotland debt currently held by Pitreadie.

The Consideration Shares calculation is based on the closing mid-market price per share of 50.8 pence on 29 August 2019, being the last trading day prior to this announcement. The Consideration Shares will be allocated, upon completion of the Acquisition, to the repayment of a director's loan of £4.3 million, which has been used to build and operate Pitreadie's asset base alongside the Bank of Scotland loan, and an agreed consideration of £0.6 million for the equity shares in Pitreadie. Pitreadie generated a revenue from farming operations of approximately £433,000 and an overall pre-tax loss of approximately £166,000 during the year ended 31 July 2019. This small loss reflects the investment in new activities involved in the preparation for renewable energy operations.

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

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

The land and property assets alone, being acquired, assuming no upside from renewable opportunities, were valued at £7.59 million by CKD Galbraith LLP, a leading independent property consultancy. As at 31 July 2019, the total assets of Pitreadie, including plant machinery and stock, were valued at £8.64 million. The Acquisition remains subject to the standard completion conditions and a further announcement will be made in due course.

### **Strategic Rationale**

Parkmead consists of four complementary business areas: Netherlands Gas, UK Oil and Gas, Performance Benchmarking and Economics, and Future Opportunities. The Future Opportunities area of the Company, as stated in Parkmead's 2018 annual report, will explore value-adding projects related to land, property and renewable energies.

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

In light of these important energy market factors, Parkmead transitioned to a gas-only producer in January 2016 and the Group has increased its gas production almost tenfold since 2014.

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

In consideration of the above, the Group believes that now is the optimum time to broaden Parkmead's low-cost, low-carbon operations. The renewables sector is a natural expansion of Parkmead's operations and is fully in line with the Group's strategy to increase the balance of Parkmead's portfolio.

The Acquisition broadens Parkmead's asset base and positions the company to build a third revenue-generating business area for the Group, in line with Parkmead's strategy of building growth through balanced operations.

### **Related Party Transaction**

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

The directors of Parkmead (excluding Tom Cross) consider, having consulted with Arden Partners plc in its capacity as the Company's nominated adviser for the purposes of the AIM Rules, that the terms of the Acquisition are fair and reasonable insofar as the Company's shareholders are concerned.

### **Issue of Equity**

Application will be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on AIM upon completion, which is expected to occur no later than 26 September 2019, and a further announcement will be made in due course. The Consideration Shares will rank *pari passu* in all respects with the Company's existing ordinary shares.

Post Admission, Tom Cross and his affiliates will hold 28,201,172 ordinary shares of 1.5 pence each ("**Ordinary Shares**") in the Company, which will represent 25.97 per cent. of the enlarged issued share capital. Kevan Smith holds the remaining 25% of Pitreadie and will join the Tom Cross and affiliates concert party by virtue of receiving 295,276 ordinary shares as consideration for his holding in Pitreadie, therefore the concert party will hold 28,496,448 ordinary shares in Parkmead, representing 26.25 per cent. of the Company's issued share capital.

## **Total Voting Rights**

Following Admission, the issued share capital of the Company will consist of 108,574,829 Ordinary Shares, with one voting right per share. The Company does not hold any Ordinary Shares in treasury. Therefore, the total number of Ordinary Shares and voting rights in the Company will be 108,574,829.

The above figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the FCA's Disclosure Guidance and Transparency Rules.

**Parkmead's Independent Non-Executive Directors, Philip Dayer and Iain Rawlinson, commented:**

*"This acquisition is directly in line with Parkmead's strategy. It positions the Group very well for balanced growth by making a first step into the renewables sector. These assets have significant onshore wind energy potential.*

*There is an active market for land assets in Scotland, particularly those with renewable energy potential."*

**Parkmead's Chief Financial Officer, Ryan Stroulger, commented:**

*"We are delighted to have secured this exciting opportunity in line with Parkmead's strategy. The acquisition strengthens the Group by adding quality assets with very significant renewable energy potential.*

*Renewable energy is an area of major opportunity for us and, with our strong in-house technical and commercial expertise, Parkmead is very well positioned to benefit from this acquisition.*

*The acquisition is complementary to Parkmead's other business areas, broadening and enhancing the Group's asset base and revenue stream.*

*The team at Parkmead is working intensively to evaluate and execute further value-adding opportunities, which could provide additional upside to the Company."*

**For enquiries please contact:**

**The Parkmead Group plc**

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Ryan Stroulger (Chief Financial Officer)

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