SIGNIFICANT GROWTH ACHIEVED

ANNUAL REPORT 2012

PARKMEAD GROUP

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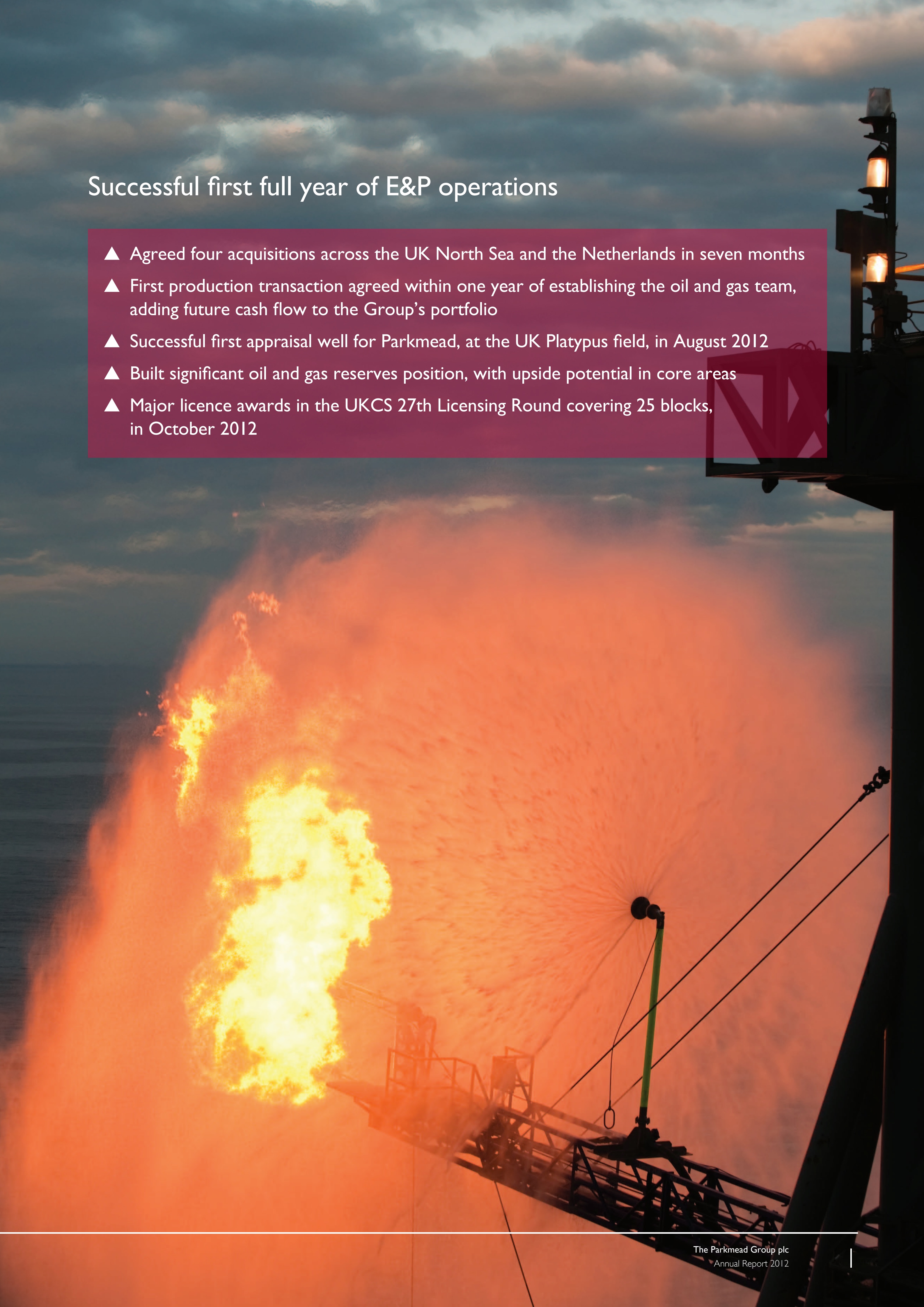
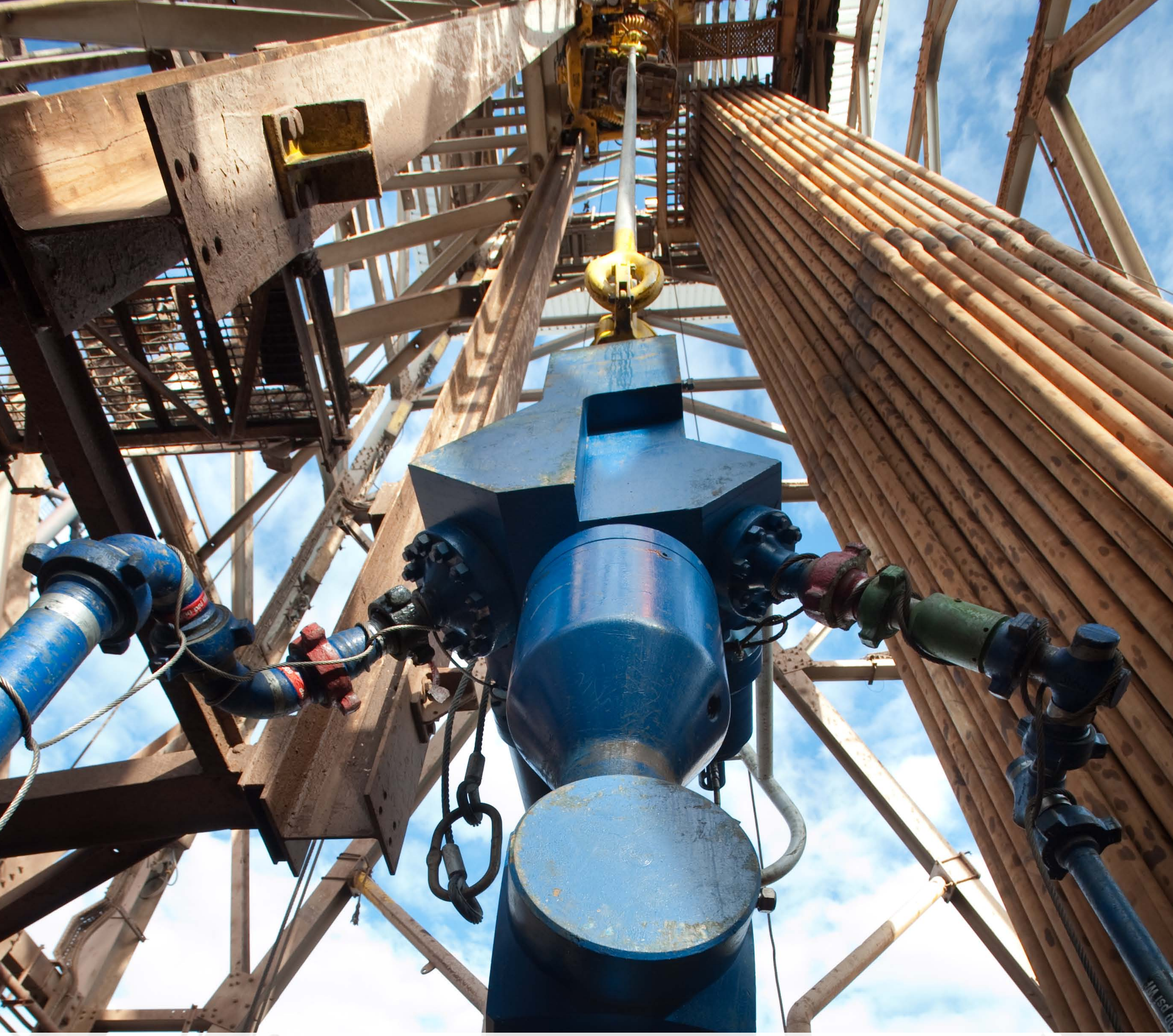
PG PARKMEAD GROUP

Front cover
Jack-up drilling rig flow testing the Platypus Gas Field



Successful first full year of E&P operations

- Agreed four acquisitions across the UK North Sea and the Netherlands in seven months
- First production transaction agreed within one year of establishing the oil and gas team, adding future cash flow to the Group's portfolio
- Successful first appraisal well for Parkmead, at the UK Platypus field, in August 2012
- Built significant oil and gas reserves position, with upside potential in core areas
- Major licence awards in the UKCS 27th Licensing Round covering 25 blocks, in October 2012



Significant momentum achieved in first full year of operations

November 2011
Completed the ACQUISITION of 15% stakes in Blocks 48/1a, 47/5b and 48/1c in the Southern North Sea containing the **Platypus Gas Field** and **Possum Gas Prospect.**

Agreed loan facility of **£8 million** securing funding for near-term activity.

December 2011
Announced the ACQUISITION of four stakes of 20% interest each in Blocks 47/4d, 47/5d, 47/10c and 48/6c containing the large **Pharos Gas Prospect** (completed February 2012).

March 2012
Announced the ACQUISITION of a portfolio of Netherlands onshore assets from Dyas B.V. providing the Group with its first production (completed August 2012).

Successful EQUITY PLACING raising **£8.53 million.**

Chairman's statement

"2012 has been an excellent first full year of E&P operations for The Parkmead Group. Following a successful 2011, which saw the Company bring together its experienced oil and gas team, the Group has generated significant momentum completing a series of acquisitions in the North Sea and onshore Netherlands. Parkmead has built a high quality and balanced portfolio, with a rapid growth in its reserve base, and since the financial year end has achieved first production through the acquisition of assets in the Netherlands.

In October 2012 the Group was awarded interests in a total of 25 offshore blocks across the UKCS, in the 27th Licensing Round. These new licences will significantly increase Parkmead's asset base in the UK and complete what has been an exceptional year for the Company."

As Parkmead drives forward to become a significant new independent oil and gas company, I am pleased to announce our audited results for the year ended 30 June 2012 and to share with you our progress to date, in what has been a busy and successful year of asset growth.

Operations and Portfolio Growth

The Group has made considerable early progress towards its stated goal of building a significant independent oil and gas company. During 2012, the Company made a number of acquisitions across the UKCS and Netherlands demonstrating the Board's intentions to grow the business rapidly through acquisitions, alongside organic growth. As a result, Parkmead's reserve base has transformed in the last twelve months with the Group reporting a rapid growth in its oil and gas reserves to 25.1 million barrels of oil equivalent (mmboe) of 2P Reserves and 10.3mmboe of 2C Contingent Resources.

In line with our strategy, Parkmead's team has shown a strong appetite for value accretive transactions, at both asset and corporate level, as we look to add opportunities across the entire spectrum from exploration through to appraisal, development and production. Parkmead is pleased to have added assets at every stage of the lifecycle through the four transactions agreed in 2012, creating a high quality and diverse asset base. In particular, we are delighted to have signed, and subsequently completed in August 2012, a milestone transaction which adds production to the Group's portfolio within the first year of establishing the oil and gas team.

May 2012
Announced RECOMMENDED OFFER for DEO Petroleum plc by way of a scheme of arrangement (completed August 2012).

Major applications in the UKCS 27th Licensing Round as Operator, with strong partnership groups.

August 2012
Announced successful APPRAISAL drilling at Platypus in UK Southern North Sea providing near-term development opportunity.

October 2012
Announced the award of several NEW LICENCES under the UKCS 27th Licensing Round, covering 25 blocks across the UKCS.

Chairman's statement

Acquisitions to date have focused on known opportunities in the Group's preferred area of Europe, and have ranged from stakes in oil and gas fields in the UKCS to a corporate transaction, acquiring DEO Petroleum plc, which completed in August 2012. We believe that the Group's high level of activity makes clear both the drive and ambition of our Company, and its staff, and creates a strong platform to become a key E&P player in the North Sea and beyond.

Parkmead is equally focused on building the business through organic growth, through licence applications, seismic and drilling, and via acquisition. During 2012, the Group made a major suite of applications for new UK licences in the UKCS 27th Licensing Round. I am very pleased to report that we have been successful in this licensing round, which was announced in October 2012, with the award of six licences comprising interests in a total of 25 offshore blocks and partial blocks across the Central North Sea, West of Scotland and West of Shetlands. Parkmead has also applied for certain licences in the 27th Round within the UKCS Southern Gas Basin. These are yet to be awarded by the UK Government due to their location close to, or in, certain Specific Areas of Conservation (SACs) and Special Protection Areas (SPAs). In recognition of the specific expertise of the Parkmead technical team, we will lead the work programme as operator of these newly awarded UK assets, working closely with our joint-venture partners. Our oil and gas team will continue to utilise its detailed technical knowledge of certain proven and frontier areas to identify and acquire assets, and participate in further UK and international licensing rounds.

In August 2012, the Group was delighted to announce excellent drilling results from the Platypus appraisal well in the UK Southern North Sea. This horizontal well was successfully completed and flowed at 27 million standard cubic feet of gas per day. As we move into 2013, the Group has planned an active seismic and drilling programme across its portfolio of assets.

Results

The Group's revenue for the year ending 30th June 2012 was £2.9m (2011: £3.7m). Administrative expenses were £5.5m (2011: £5.3m). The Group's operating loss for the year was £4.7m (2011: £3.6m). The loss after tax was £4.9m (2011: £3.6m). Total comprehensive loss for the year was £5.1m (2011: Income £35k).

The Group's total assets increased to £22.9m (2011: £12.3m), including available-for-sale financial assets of £6.5m (2011: £7.1m). Cash and cash equivalents increased to £7.7m (2011: £1.3m). The total current liabilities were £4.2m (2011: £1.1m) mainly due to increased trade and other payables of £4.1m (2011: £0.8m).

The Group net asset value increased to £12.3m (2011: £9.0m). There was a modest equity raising of £8.53m in March 2012, in line with the Group's authority to place 10% of equity for cash. This resulted in a total of 60,960,182 new ordinary shares being issued at a placing price of 14 pence (representing a discount of 8.5 per cent. to the Group's average closing mid market price over a 3 month period prior to the announcement of the placing, being 15.3 pence). In addition, some 4,857,142 new ordinary shares were issued on the exercise of options, bringing the Group's total ordinary shares in issue to 675,419,147 (2011: 609,601,823). Subsequent to the 30th June year-end, the Group completed the acquisition of fellow independent oil and gas company, DEO Petroleum plc. This acquisition was completed by way of a court sanctioned Scheme of Arrangement and offered DEO shareholders two Parkmead shares for every DEO share held. Following these 86,219,860 ordinary shares being admitted for trading, the Group's total ordinary shares in issue increased to 761,639,007.

As at 30 June 2012 Parkmead had drawn £2.9m of its £8.0m shareholder loan facility, which was raised in October 2011 in conjunction with the Group's first acquisition in the UK North Sea. The Board is not recommending the payment of a dividend in 2012 (2011: nil).

Investments

The Group's principal investment is shares held in Faroe Petroleum plc ("Faroe") (LSE AIM: FPM.L.). As at 30 June 2012 the value of this investment was £6.5m (30 June 2011: £7.1m). The investment is held as available-for-sale and the decrease in its value due to share price movement has been reflected in equity.

Faroe's share price fell from 161p to 148p over the 12 months to 30 June 2012. Faroe reported a significant boost to production, oil and gas reserves and cash flow, together with continued exploration success. However, after an unsuccessful result at the company's first operated well in Norway, targeting the Clapton prospect, the share price dropped to 148p at the 30th June 2012. We remain of the view that Faroe has long-term upside with an ongoing drilling programme and a broad portfolio of exploration licences.

Outlook

The Directors of Parkmead are delighted with the significant progress the Group has made to date in building an exciting, new independent oil and gas company. With a balanced asset base and first production already achieved by the Group, we believe Parkmead has gained considerable momentum in the last twelve months. In addition, we are particularly encouraged by the substantial licence interests we were awarded, as operator, in the UKCS 27th Licensing Round.

Parkmead's wholly-owned subsidiary company, Aupec, continues to perform oil and gas industry benchmarking and petroleum economics for a wide range of energy companies and governments and the Directors believe that the Group benefits from the experience, technical capabilities and relationships that have been built up over 25 years of successful operations within Aupec.

As we look ahead into 2013 and beyond, the Group has a continued appetite for acquisitions and will look to add reserves through its active drilling programme. We believe the Group has created a strong platform to become a key E&P player in the North Sea and elsewhere in Europe. We will continue to update shareholders as we make further progress.

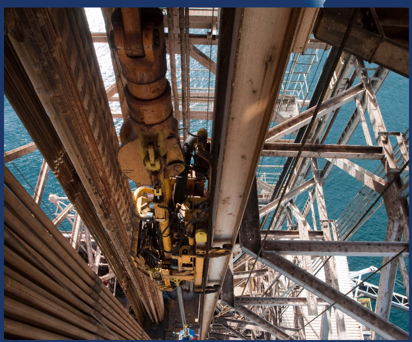
Tom Cross
Executive Chairman
15 November 2012

Building a balanced portfolio of high quality assets

Our activities

"Acquisitions to date have focused on Parkmead's preferred area of Europe, where the team has significant operational experience in both the UKCS and the Netherlands. Going forward, the Group will also look at opportunities with upside potential in frontier locations such as Africa."

Tom Cross
Chairman



Growing reserves base

Parkmead's reserve base has been transformed in the last twelve months through a series of acquisitions across the UKCS and onshore Netherlands. The Group now has a balanced portfolio of assets across the entire asset lifecycle with significant upside.

Proven and probable (2P) reserves of

25.1 mmboe

Contingent resources (2C) of

10.3 mmboe

Dr Colin Percival, Parkmead's Vice President Exploration and Production, who holds a First Class Honours Degree in Geology and a Ph.D in Sedimentology and has over 30 years' experience in the oil and gas industry, has reviewed and approved the technical information contained in this announcement. Reserves and contingent resources estimates are stated as at 31 October 2012 and includes deals signed during the year that subsequently completed post financial year end. 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.

Adding reserves via acquisition and the drill bit

During 2012, Parkmead has created a portfolio of producing assets and development projects through two landmark transactions. In March 2012, the Group announced the acquisition of a portfolio of Netherlands onshore assets from Dyas B.V. including 15 per cent interests in four producing gas fields at Geesbrug, Grolloo, Brakel and Wijk en Aalburg. The acquisition of these assets, which completed in August 2012, marked a significant milestone for Parkmead by adding the first producing assets to the Group's portfolio, with an average 2012 production rate of approximately 250 boepd net to Parkmead. A number of field optimisation projects are underway and being scheduled on these assets in the coming twelve months, including infill drilling at the Geesbrug field.

In addition, the portfolio provides Parkmead with two near term oil and gas developments at Ottoland and Papekop. A successful extended well test was performed on Ottoland in Q4 2011 producing oil at a stable rate from the existing single well on this accumulation. Parkmead is currently working with the operator to determine a development plan that will efficiently drain the field, following analysis of the well test results. Parkmead anticipates that this field will be brought onstream in 2013 providing the Group with additional production.

In May 2012, Parkmead announced a recommended offer for fellow independent oil and gas company, DEO Petroleum plc. The acquisition was completed via a Scheme of Arrangement, under Part 26 of the Companies Act 2006. The Scheme of Arrangement became effective on the 9th August 2012. Following the acquisition, Parkmead now owns 52%, and is operator, of the Perth Oil Field. The Perth Field, located in licences P218 (Block 15/21a) and P588 (Block 15/21c), is targeting Proven and Probable (2P) reserves of 21.5mmbbls (net to Parkmead) from a potential Phase One Development. A Phase Two development of the Perth Terraces could add a further 14.4mmbbls (net to Parkmead) to the overall project. A Field Development Programme (FDP) for Phase One, covering an FPSO development utilising four producer wells and two water injector wells, has been agreed in principle by the Department for Energy and Climate Change (DECC). As the new operator of the Perth Field, Parkmead is working alongside DECC and our partnership group to ensure the optimum development option is put in place. This would maximise the reserves of the development, including further prospectivity in the area identified by the Parkmead technical team, thus maximising the value of the development for our shareholders.

Following successful drilling of Parkmead's first appraisal well in the North Sea, at the Platypus gas field, the Group is delighted to report that we are working with our partners to move ahead with this project. The appraisal of the Platypus field emphasises our strength in adding resources through the drill bit.

"Parkmead is delighted to have agreed a transaction to secure first production within just one year of establishing the oil and gas team and its E&P operations."

Tom Cross
Chairman

250
boepd in 2012*

* Transaction completed in August 2012

Playing to our core strength

Parkmead is heavily focused on exploration and appraisal activities in its core area of the North Sea and in the last twelve months we have been working hard to build a strong portfolio of exploration and appraisal assets. To that end, we now have interests in 13 licences covering 37 blocks or part blocks across the UKCS, together with the Drenthe III exploration block in the Netherlands. The Group has established a high quality technical team, with an exceptional track record and an outstanding reputation amongst its peers. We believe there is no greater accolade for the technical capabilities of our team than being elected as operator on behalf of all our successful bidding groups in the recently announced UKCS 27th Licensing Round. We are delighted with the strong partnership groups we formed for the licensing round, on top of the high quality relationships we already have with our incumbent asset partners.

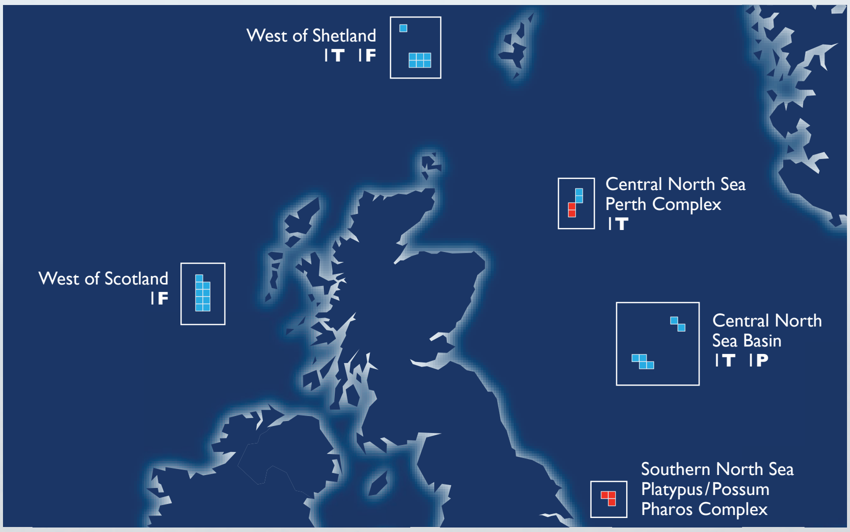
Following the acquisition of assets across the Southern and the Central North Sea, and the acreage awarded to Parkmead in the UKCS 27th Licensing Round across the Central North Sea, West of Scotland and West of Shetlands, the Group now has an active work programme, with exploration and appraisal wells scheduled. Planned activities on the blocks awarded include obtaining 2D and 3D seismic data, seismic reprocessing and detailed mapping to mature the already identified prospects and leads.

Dr. Colin Percival
Vice President
Exploration and Production

Success in the UKCS 27th Licensing Round

The award of stakes in 25 offshore blocks in the UKCS 27th Licensing Round means we have bolstered our exploration and appraisal portfolio around our existing assets, whilst adding extensive acreage in exciting new areas with significant reserves potential. Parkmead has also become an exploration operator for the first time in the North Sea.

- 27th Round blocks awarded to Parkmead
- Existing Parkmead acreage
- T Traditional licence
- P Promote licence
- F Frontier licence



UK exploration and appraisal assets at 31 October 2012

Licence	Block Designation	Field/ Discovery	Prospect/ Opportunity	Field Operator	Parkmead Equity %	Co-Venturer(s)
UK West of Shetland						
Licence TBC**	205/12		Davaar	Parkmead	30.00	Atlantic 30%, Summit 26%, Dyas 14%
Licence TBC**	205/23, 24, 25, 28, 29, 30	Bombardier	Eddystone	Parkmead	43.00	Atlantic 43%, Dyas 14%
UK West of Scotland						
Licence TBC**	132/3, 4, 8, 9, 13, 14, 18, 19 & 142/28, 29		Longships, Bardsey, Godrevy	Parkmead	100.00	–
UK Central North Sea						
P.218*	15/21a North Area	Perth		DEO	52.03	Atlantic 13.35%, Faroe 34.62%
	15/21a South Area	Dolphin/Sigma		DEO	52.03	Atlantic 13.35%, Faroe 34.62%
	15/21a Gamma Sub Area		Gamma Spaniards	Premier Oil	12.63	Maersk 5.74%, Atlantic 3.24%, Faroe 8.4% Premier Oil 30%, Nautical 20%, Serica 20%
	15/21f			DEO	52.03	Atlantic 13.35%, Faroe 34.62%
P.588*	15/21c	Perth		DEO	52.03	Atlantic 13.35%, Faroe 34.62%
	15/21b	Residual		DEO	52.03	Atlantic 13.35%, Faroe 34.62%
P.1655*	15/21g		Gamma Spaniards	Premier Oil	12.63	Maersk 5.74%, Atlantic 3.24%, Faroe 8.4%, Premier Oil 30%, Nautical 20%, Serica 20%
Licence TBC**	15/16e		Birnam, Kinross	Parkmead	34.00	Atlantic 33%, Faroe 33%
Licence TBC**	29/27, 28 & 37/3, 4		Snizort	Parkmead	100.00	–
Licence TBC**	30/12c, 13c, 18c		Skerryvore	Parkmead	30.50	Atlantic 30.5%, Bridge Energy 25%, Dyas 14%
UK Southern North Sea						
P.1242	48/1a, 47/5b	Platypus	Possum	Dana	15.00	Dana 59%, First Oil Expro 11%, CalEnergy 15%
P.1566	47/4d, 47/5d		Pharos	Dana	20.00	Dana 50%, Sorgenia 15%, MPX 15%
P.1594	48/1c		Possum	Dana	15.00	Dana 59%, First Oil Expro 11%, CalEnergy 15%
P.1742	47/10c, 48/6c	47/10-8	Blackadder	Dana	20.00	Dana 50%, Sorgenia 30%

* The acquisition of these licences completed in August 2012.
** These licences were provisionally awarded in October 2012 in the 27th Round by DECC and have not yet been allocated a licence number.

Experienced oil and gas team focused on growth

The Parkmead team holds a wealth of experience and technical capabilities, with an exceptional track record in the exploration and production industry. In the last twelve months the Group's experienced oil and gas team has been focused on driving forward Parkmead's growth strategy by identifying, appraising and executing a number of acquisition opportunities. In its core market the team used its technical knowledge to invest heavily in the UKCS 27th Licensing Round. The Board of Directors believes that the experience and commercial discipline embedded in the team will ensure that the Group can continue to add valuable assets to Parkmead's growing and diverse portfolio.
For detailed biographies of the oil and gas team please visit our website www.parkmeadgroup.com

The Board

Thomas Cross
Executive Chairman

Tom is a Chartered Director and petroleum engineer with extensive energy sector experience, spanning projects in over 20 countries. Tom has held senior positions with Conoco, Thomson North Sea, Louisiana Land and Exploration and was Director of Engineering at the UK Petroleum Science and Technology Institute. He was the founder and Chief Executive of Dana Petroleum plc through until its sale to the Korea National Oil Corporation in 2010. Tom is a former Chairman of BRINDEX, the Association of British Independent Oil Companies and a Fellow of the Institute of Directors.

Donald MacKay
Chief Financial Officer

Donald is Chief Financial Officer of The Parkmead Group plc. He has been Managing Director of Aupec Limited since 2001. Prior to this he held senior international finance and operational positions with Unocal Corporation (now part of Chevron).

A Chartered Accountant, he has over 30 years experience in the energy sector and has extensive international experience having worked in South East Asia, the Middle East and Africa as well as the USA and the UK.

Philip Dayer
Non-Executive Director

Philip has over 25 years of corporate finance, public company and stock market experience. He has worked with a number of prominent city institutions and advised a wide range of public companies including UK and international groups active in the oil and gas sector. Philip qualified as a Chartered Accountant and went on to gain extensive experience as Director or Head of Corporate Finance with Barclays de Zoete, Citigroup Scrimgeour Vickers, ANZ Grindlays and Société Générale. Latterly, whilst focusing on the energy sector, Philip was Director of Corporate Finance at Old Mutual Securities and Executive Director at Hoare Govett Limited.

Philip was a non-executive director of Dana Petroleum plc from 2006 through to its successful sale.

Ian Rawlinson
Non-Executive Director

Ian has over 25 years of experience in the banking and investment industries and in advising public and private companies, including working with Lazard Brothers, Robert Fleming, Fleming Family & Partners and Dana Petroleum plc. Ian read law at Cambridge and was called to the Bar in 1981. From 1995 to 2000 he was a member of the senior management team of Flemings in Southern Africa, and was Chief Operating Officer of Fleming Family and Partners on its establishment in 2000. From 2005 he has held various independent appointments in the business and charitable sectors and is Executive Chairman of The Monarch Group.

Ian was a non-executive director of Dana Petroleum plc from 2005 through to its successful sale.

Directors' report

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2012.

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.

Principal activity

The Group's and Company's principal activities are that of oil and gas exploration and production and the provision of energy sector economics, valuations and benchmarking.

Results and dividends

The Group loss for the financial year after taxation amounted to £4.9 million (2011: £1.9 million). The Directors do not recommend the payment of a final dividend (2011: £nil).

Review of the business and future developments

The review of the business for the year, future developments and events since the end of year are set out in the Chairman's Statement on pages 3 to 4. The information which fulfils the requirements of the Business Review as set out in the Companies Act is included therein.

Directors and their interests

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

T P Cross	
D A MacKay	
P J Dayer	
D I Rawlinson	
N P Doran	resigned 25 October 2011

Biographical details of all the current Directors, as at the date of signing these financial statements, can be found on page 12.

Details of all Directors' emoluments can be found in Note 8 to the financial statements.

Directors' indemnity

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

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

Investments

Investments are stated at fair value. Details of changes in the Group's investment holdings are set out in Note 18 to these financial statements.

Principal Risks and Uncertainties

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

There is no assurance that the Group's exploration activities will be successful and statistically a relatively small number of properties that are explored 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.

The Group's activities may also be curtailed, delayed or cancelled not only as a result of weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply.

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

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

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 farminees in the medium term. If the Group is unable to obtain additional financing as needed through the attraction of suitable farm-in partners, some interests may be relinquished and/or the scope of the operations reduced.

The Group is exposed to US Dollar to Sterling exchange risk, due to significant portions of its subsidiary Aupec's revenues being dominated in US Dollars, which are subject to currency exchange fluctuations.

The Group is exposed to equity price risk in respect of its available-for-sale investments in oil and gas securities. Due to the nature of oil and gas exploration the share price of these companies is inherently volatile and significant movements over a short period are common. The Group monitors closely the performance of Faroe for which it holds a 2.1 per cent. shareholding.

In addition, approximately 58 per cent. of Aupec's revenues were derived from an interim agreement with a developing world government ministry. The contract, which is governed by local law of the Aupec counterparty, expired on 24 March 2011 and is subject to ongoing negotiation. Since the expiry of the last contract, Aupec has continued to work for the government ministry as normal under an interim agreement and the Group expects a new contract will be issued for a further three year period.

Financial risk management policies
Further details of the Group's financial risk management policies are set out in Note 28 to the financial statements.

Charitable and political donations
The Group made charitable donations of £6,000 during the year (2011: £6,200). The Group made no political donations during the year (2011:£nil).

Supplier payment policy and practices
It is Group policy to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to these based on the timely receipt of an accurate invoice.

Average trade creditor days based on payables as at 30 June 2012 were 33 days (2011: 23 days) for the Company.

Share capital
At 30 June 2012 the total issued ordinary share capital was 675,419,147 shares of 0.1 pence each. All of the Company's shares are fully paid up and quoted on AIM. The rights and obligations attaching to the Company's ordinary shares as well as the powers of the Company's Directors are set out in the Company's articles of association, copies of which can be obtained from the Company website (www.parkmeadgroup.com), Companies House, or by writing to the Company Secretary. There are no restrictions on the voting rights attaching to or the transfer of the Company's issued ordinary shares.

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

Significant shareholdings
The Company has been advised of the following significant shareholdings as at 31 October 2012:

	No. of Ordinary Shares Held	% of Ordinary Shares
T P Cross & Affiliates	194,456,615	25.53%
D Rose	45,884,188	6.02%
Prof A G Kemp	30,589,459	4.02%
N P Doran	29,429,027	3.86%
D J Mills	26,540,767	3.48%
YF Finance Limited	23,400,000	3.07%

Corporate governance
The Company is committed to high standards of corporate governance. The Parkmead Group plc, as an AIM listed company, is not required to comply with the June 2010 UK Corporate Governance Code, the "Code" (updated September 2012). However, the Board recognises the importance of sound corporate governance and has ensured that the Company has adopted policies and procedures that the Directors consider appropriate with regard to the Company's size.

This statement explains how the Directors applied the principles of the Code during the year ended 30 June 2012.

The Board
Board effectiveness
The Board, which is set up to control the Company and Group, meets formally at least four times a year and in the year under review met on five occasions. As at the year end the Board was composed of four Directors – two Executive and two Non-Executive Directors. The Non-Executive Directors, P J Dayer and D I Rawlinson are considered by the Board to be independent, notwithstanding the fact that they have shares in the Company.

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

- management accounts setting out actual costs and revenues against budgeted costs and revenues
- cash collections and forecasts
- a statement of income compared with budget
- balance sheet values 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 Directors have access to the advice and services of the Company Secretary and can also seek independent professional advice, if necessary, at the Company's expense.

Board appointments
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.

Re-appointment of Directors
All Directors are subject to re-appointment every three years in accordance with the Company's Articles of Association. This year D A MacKay is due for re-appointment.

Committees and auditors
Committees
The Directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits.

The Audit Committee meets at least twice a year and consists of P J Dayer, the Committee Chairman, D I Rawlinson and T P Cross. D A MacKay attends by invitation. In the year ended 30 June 2012 the Audit Committee met on two occasions, with all members present.

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 accounts
- review and assessment of the internal controls of the Company
- assessment of the competencies of the financial human resources available to the Company

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

It is the task of the Audit Committee to ensure that audit or 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.

The Remuneration Committee meets at least once a year and consists of D I Rawlinson, the Committee Chairman, P J Dayer and T P Cross. In the year ended 30 June 2012 the Remuneration Committee met twice with all members present.

The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors.

The Executive Directors meet regularly on an informal basis and deal with decisions that do not require full Board approval. The Directors believe that this process for making business decisions provides sufficient division of responsibility to meet the requirements of the Code.

Shareholder relations

The Company communicates with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. Additionally, through the Company's website (www.parkmeadgroup.com), the Company makes available announcements relating to progress on investments and industry relationships, which whilst not a regulatory requirement to be disclosed, provide investors with further insight as to progress made by the Company. Directors are available at the Annual General Meeting where shareholders can ask questions or represent their views. Additionally, in accordance with the AIM rules, specifically Rule 26, the Company has disclosed fully all relevant information so as to ensure that it is fully compliant.

The Company maintains a website (www.parkmeadgroup.com) where the Group's Annual Report and financial statements can be accessed.

The following information may also be found on the website:

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

All queries raised by shareholders are dealt with by the Investor Relations Manager, K A Ramsay.

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.

Remuneration policy

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 full consideration to the requirements of the Code appended to the Listing Rules of the UK Listing Authority
- 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

Non-Executive Directors

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

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 are:

- 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.

Corporate social responsibility

The Group acquits itself of its commitment to corporate social responsibility through the implementation of policies across the following areas:

- equal opportunities across the Group
- health and safety

Directors' report

continued

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.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 available information of which the Company's auditors were unaware; and
- that Director has taken all steps a Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Auditors

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

Annual general meeting

Your attention is drawn to the Notice of the Annual General Meeting to be held on 17 December 2012. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2012
- to re-appoint Directors who, in accordance with the articles of association of the Company have retired by rotation
- approving the re-appointment of Nexia Smith & Williamson as auditors to the Company
- to grant Directors the authority to make market purchases and allot shares on a non pre-emptive basis

By order of the Board

Donald MacKay
Chief Financial Officer
15 November 2012

Independent Auditor's report to the Members of The Parkmead Group plc

We have audited the Group and Parent Company financial statements (the "financial statements") of The Parkmead Group plc for the year ended 30 June 2012 which comprise the Group Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cashflows, and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement on Directors' Responsibilities set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 30 June 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.

Nexia Smith & Williamson

Andrew Bond
Senior Statutory Auditor, for and on behalf of,
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY
15 November 2012

Group income statement
for the year ended 30 June 2012

	Notes	2012 £	2011 £
Continuing operations			
Revenue	3	2,948,901	3,745,565
Cost of sales		(1,435,994)	(2,016,418)
Gross profit		1,512,907	1,729,147
Other operating income		-	7,951
Exploration and evaluation expenses		(685,621)	-
Administrative expenses		(5,531,847)	(5,310,345)
Operating loss	4	(4,704,561)	(3,573,247)
Finance income	9	11,484	12,417
Finance costs	10	(222,737)	(797)
Profit on sale of available-for-sale financial assets	11	-	112,388
Other losses on financial assets at fair value through profit or loss	12	-	(927)
Loss before taxation		(4,915,814)	(3,450,166)
Taxation	13	4,225	(139,470)
Loss for the year from operations		(4,911,589)	(3,589,636)
Discontinued operations			
Gain for the year from discontinued operations	14	-	1,732,247
Loss for the year attributable to the equity holders of the Parent		(4,911,589)	(1,857,389)
Loss per share (pence)			
Continuing operations			
Basic and diluted	15	(0.78)	(0.59)
Continuing and discontinued operations			
Basic and diluted	15	(0.78)	(0.31)

Group and company statement of comprehensive income

for the year ended 30 June 2012

	Note	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Loss for the year		**(4,911,589)**	(1,857,389)	**(5,037,678)**	(1,434,087)
Other comprehensive income					
Gains arising on repayment of employee share based loans	27	**369,012**	-	**369,012**	-
Fair value (loss)/gain on available-for-sale financial assets		**(590,900)**	1,892,634	**(590,900)**	1,892,634
Other comprehensive income/(loss) for the year, net of tax		**(221,888)**	1,892,634	**(221,888)**	1,892,634
Total comprehensive income/(loss) for the year attributable to the equity holders of the Parent		**(5,133,477)**	35,245	**(5,259,566)**	(458,547)

Group and company statement of financial position

as at 30 June 2012

	Notes	Group 2012 £	Group 2011 £ (Restated)	Company 2012 £	Company 2011 £ (Restated)
Non-current assets					
Property, plant and equipment	16	**248,137**	128,557	**200,385**	77,295
Goodwill	17	**2,173,532**	2,173,532	**-**	-
Other intangible assets	17	**25,170**	43,657	**-**	-
Exploration and evaluation assets	17	**3,063,502**	-	**-**	-
Investment in subsidiary and joint ventures	18	**-**	-	**3,931,404**	3,902,817
Available-for-sale financial assets	20	**6,456,132**	7,064,017	**6,456,132**	7,064,017
Total non-current assets		**11,966,473**	9,409,763	**10,587,921**	11,044,129
Current assets					
Trade and other receivables	21	**3,253,846**	1,650,105	**3,436,953**	197,334
Cash and cash equivalents	22	**7,694,141**	1,274,198	**7,666,393**	749,539
Total current assets		**10,947,987**	2,924,303	**11,103,346**	946,873
Total assets		**22,914,460**	12,334,066	**21,691,267**	11,991,002
Current liabilities					
Trade and other payables	23	**(4,085,963)**	(761,570)	**(2,983,985)**	(383,768)
Current tax liabilities		**(4,293)**	-	**(4,293)**	-
Other provisions	26	**(122,105)**	(338,089)	**(76,001)**	(324,063)
Total current liabilities		**(4,212,361)**	(1,099,659)	**(3,064,279)**	(707,831)
Non-current liabilities					
Interest-bearing loans and borrowings	24	**(2,981,819)**	-	**(2,981,819)**	-
Other liabilities	23	**(3,452,069)**	(2,219,226)	**(3,452,069)**	(2,219,226)
Deferred tax liabilities	25	**(5,710)**	(7,924)	**-**	-
Total non-current liabilities		**(6,439,598)**	(2,227,150)	**(6,433,888)**	(2,219,226)
Total liabilities		**(10,651,959)**	(3,326,809)	**(9,498,167)**	(2,927,057)
Net assets		**12,262,501**	9,007,257	**12,193,100**	9,063,945
Equity attributable to equity holders					
Called up share capital	29	**18,724,166**	18,658,349	**18,724,166**	18,658,349
Share premium		**11,619,452**	2,907,986	**11,619,452**	2,907,986
Employee benefit trust reserve	29/30	**-**	-	**-**	-
Revaluation reserve		**(326,220)**	264,680	**(326,220)**	264,680
Retained deficit		**(17,754,897)**	(12,823,758)	**(17,824,298)**	(12,767,070)
Total Equity		**12,262,501**	9,007,257	**12,193,100**	9,063,945

The financial statements on pages 13 to 56 were approved by the Board of Directors on 15 November 2012 and signed on its behalf by:

Thomas Cross
Director

Donald MacKay
Director

Group statement of changes in equity

for the year ended 30 June 2012

	Share capital	Share premium	Merger reservet	Foreign exchange reserve	Revaluation reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 July 2010	18,652,383	2,647,059	(952,109)	7,377	(1,182,639)	(10,661,462)	8,510,609
Loss for the year	-	-	-	-	-	(1,857,389)	(1,857,389)
Fair value gain on available-for-sale financial assets	-	-	-	-	1,892,634	-	1,892,634
Total comprehensive income/(loss) for the year	-	-	-	-	1,892,634	(1,857,389)	35,245
Transfer of reserves on impaired available-for-sale financial assets	-	-	-	(7,377)	(445,315)	453,127	435
Transfer of reserves on discontinued activities	-	-	952,109	-	-	(952,109)	-
Issue of new ordinary shares	5,966	260,927	-	-	-	-	266,893
Share-based payments	-	-	-	-	-	194,075	194,075
At 30 June 2011	18,658,349	2,907,986	-	-	264,680	(12,823,758)	9,007,257
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(4,911,589)**	**(4,911,589)**
Fair value loss on available-for-sale financial assets	**-**	**-**	**-**	**-**	**(590,900)**	**-**	**(590,900)**
Gains arising on repayment of employee share based loans	**-**	**-**	**-**	**-**	**-**	**369,012**	**369,012**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**(590,900)**	**(4,542,577)**	**(5,133,477)**
Issue of new ordinary shares	**65,817**	**8,711,466**	**-**	**-**	**-**	**-**	**8,777,283**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**(388,562)**	**(388,562)**
At 30 June 2012	**18,724,166**	**11,619,452**	**-**	**-**	**(326,220)**	**(17,754,897)**	**12,262,501**

Company statement of changes in equity

for the year ended 30 June 2012

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Revaluation reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 July 2010	18,652,383	2,647,059	1,454,546	7,377	(1,182,639)	(13,434,731)	8,143,995
Loss for the year	-	-	-	-	-	(1,434,087)	(1,434,087)
Fair value gain on available-for-sale financial assets	-	-	-	-	1,892,634	-	1,892,634
Total comprehensive income/(loss) for the year	-	-	-	-	1,892,634	(1,434,087)	458,547
Transfer of reserves on impaired available-for-sale financial assets	-	-	-	(7,377)	(445,315)	453,127	435
Transfer of reserves on discontinued activities	-	-	(1,454,546)	-	-	1,454,546	-
Issue of new ordinary shares	5,966	260,927	-	-	-	-	266,893
Share-based payments	-	-	-	-	-	194,075	194,075
At 30 June 2011	18,658,349	2,907,986	-	-	264,680	(12,767,070)	9,063,945
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(5,037,678)**	**(5,037,678)**
Gains arising on repayment of employee share based loans	**-**	**-**	**-**	**-**	**-**	**369,012**	**369,012**
Fair value loss on available-for-sale financial assets	**-**	**-**	**-**	**-**	**(590,900)**	**-**	**(590,900)**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**(590,900)**	**(4,668,666)**	**(5,259,566)**
Issue of new ordinary shares	**65,817**	**8,711,466**	**-**	**-**	**-**	**-**	**8,777,283**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**(388,562)**	**(388,562)**
At 30 June 2012	**18,724,166**	**11,619,452**	**-**	**-**	**(326,220)**	**(17,824,298)**	**12,193,100**

Group and company statement of cashflows

for the year ended 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Notes	£	£	£	£
Cashflows from operating activities					
Continuing activities	33	**(2,331,370)**	(1,091,202)	**(4,913,093)**	(2,718,159)
Taxation refunded/(paid)		**6,304**	(121,560)	**4,293**	-
Net cash (used in) operating activities		**(2,325,066)**	(1,212,762)	**(4,908,800)**	(2,718,159)
Cash flow from investing activities					
Interest received		**11,485**	3,422	**11,260**	3,292
Proceeds from sale of subsidiary		**-**	1,969,449	**-**	1,969,449
Proceeds from sale of investments		**-**	94,968	**-**	94,968
Repayment of employee share based loans		**369,012**	-	**369,012**	-
Dividend received from subsidiary		**-**	-	**-**	1,206,311
Acquisition of exploration and evaluation assets		**(3,063,502)**	-	**-**	-
Proceeds from sale of available-for-sale financial assets		**16,985**	-	**16,985**	-
Acquisition of intangible assets		**-**	(34,223)	**-**	-
Acquisition of property, plant and equipment		**(189,986)**	(108,909)	**(172,618)**	(84,164)
Proceeds from sale of property, plant and equipment		**1,250**	5,331	**1,250**	5,331
Net cash generated by/(used in) investing activities		**(2,854,756)**	1,930,038	**225,889**	3,195,187
Cash flow from financing activities					
Issue of ordinary shares		**8,777,283**	266,893	**8,777,283**	266,893
Interest paid		**(159,337)**	(797)	**(159,337)**	-
Proceeds from loans and borrowings		**2,981,819**	-	**2,981,819**	-
Finance lease principal payments		**-**	(1,043)	**-**	(1,043)
Net cash generated by financing activities		**11,599,765**	265,053	**11,599,765**	265,850
Net increase in cash and cash equivalents		**6,419,943**	982,329	**6,916,854**	742,878
Cash and cash equivalents at beginning of year		**1,274,198**	291,869	**749,539**	6,661
Cash and cash equivalents at end of year		**7,694,141**	1,274,198	**7,666,393**	749,539

Notes to the financial statements

1 Corporate information

The consolidated financial statements of the Group for the year ended 30 June 2012 were authorised for issue by the Board of Directors on 15 November 2012 and the Statement of Financial Position was signed on the Board's behalf by T P Cross and D A MacKay. The Group is a public limited company incorporated in England & Wales and domiciled in Scotland. The Company's shares are publicly traded on the AIM Market of the London Stock Exchange. The registered office is located at Pellipar House, 9 Cloak Lane, London, EC4R 2RU.

2 Accounting policies

Basis of preparation of the financial statements

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

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries

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

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

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

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.

Revenue recognition

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. 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.

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of discounts, and sales taxes.

The Group and the Company recognise revenue as services are provided and when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenues from long-term fixed-price contracts are recognised under the "percentage-of-completion" method. The stage of completion of a contract is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs of the contract.

Oil and gas expenditure – exploration and evaluation assets

Capitalisation

Pre-acquisition costs on oil and gas assets are recognised in the income statement 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 the E&E asset is written off to the income statement.

Impairment

The Group's oil and gas assets are analysed into cash generating units ("CGU") for impairment review purposes, with E&E asset impairment testing being performed at a grouped CGU level. The current CGU consists of the Group's whole E&E portfolio. E&E assets are reviewed for impairment 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 income statement.

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 income statement 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 income statement 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 income statement, after deducting the related net book value of the asset.

Decommissioning

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

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, 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 income statement.

Segment reporting

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

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit represents the profit earned by each segment without allocation of foreign exchange gains or losses, gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax. 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, available-for-sale financial assets and current and deferred tax assets and liabilities.

Foreign currency

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale 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 available-for-sale are included in the revaluation reserve in equity.

Taxation

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

The tax currently payable is based on the taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the income statement 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 contributes 10% of employees' gross salary into personal pension funds of their choice. The cost of providing pension contributions for employees is charged to the income statement 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 income statement.

Incentives are provided to employees under an unapproved share option scheme and an Inland Revenue approved Enterprise Management Incentive ("EMI") 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 income statement.

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 income statement.

Employee Benefit Trust

The Company has provided loan finance to an Employee Benefit Trust such that it can purchase shares in the Group. Assets and liabilities of the Employee Benefit Trust are included in the Group statement of financial position. The costs of running the Trust are charged to the income statement.

Property, plant and equipment

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

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

Short leasehold improvements	5 years
Fixtures, fittings and computer equipment	3 – 5 years

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

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 income statement.

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 income statement 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 income statement in the expense category consistent with the function of the intangible asset.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement 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 income statement 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 income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

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

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

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

Financial assets
Classification of financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than 12 months after the year end date where they are classified as non-current assets.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the year end date.

Measurement of financial assets
Initial recognition
Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

Available-for-sale financial assets (including deferred consideration) are initially recognised at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans and receivables are carried at amortised cost using the effective interest method.

Subsequent measurement
Available-for-sale financial assets (including deferred consideration) and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category and dividend income from financial assets at fair value through profit or loss are presented in the income statement within ‘other (losses)/gains on financial assets at fair value through profit or loss’ in the period in which they arise.

Changes in the value of available-for-sale financial assets are recorded in equity within the revaluation reserve, unless impairment in value is considered to be other than temporary where the loss is charged to the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income.

Loans and receivables are carried at amortised cost and the accretion in the values of loans and receivables to their principal amount is recorded within finance income.

Derecognition
Financial assets are derecognised when the rights to receive cashflows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets
The Group assesses at each year end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If it is determined that an impairment for an available-for-sale financial assets is other than temporary, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

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.

Trade receivables
Trade receivables are initially stated at fair value and subsequently accreted for interest and adjusted for any provisions for impairment. Trade receivables are assessed individually for impairment. Movements in the provision for doubtful trade receivables are recorded in the income statement in administrative expenses.

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

Leases
Assets held under capital leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the statement of financial position at the lower of fair value and the present value of the minimum lease payments and are depreciated over their useful lives. A liability is also created in the statement of financial position.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant rate of charge on the remaining capital repayments.

Rentals payable and receivable under operating leases are charged or credited to the income statement on a straight line basis over the lease term.

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

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

Share capital
Ordinary shares are classified as equity.

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

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

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

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

by the Group are discussed in more detail in the following accounting policies:

- Oil and Gas: Intangible Exploration Assets – Impairment
- Oil and Gas: Decommissioning Provisions
- Employee Benefits: Share Based Payments
- Impairment of Goodwill
- Revenue recognition

New IFRS accounting standards and interpretations adopted in the year

The following standards, amendments and interpretations are new and effective for the year end 30 June 2012 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities:

- IAS 24 (Amendment) Related Party Disclosures effective 1 January 2011
- IFRS 7 (Amendment) Financial Instruments: Disclosures effective 1 July 2011
- IFRIC 14 (Amendment) Prepayments of a minimum funding requirement effective 1 January 2011

New IFRS accounting standards and interpretations not yet adopted

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

None of the standards and interpretations listed below are expected to have a material impact on the Group's consolidated results, assets or liabilities:

- IAS 12 (Amendment) Income Taxes effective 1 January 2012
- IAS 1 (Amendment) Presentation of Financial Statements effective 1 July 2012
- IAS 27 Separate Financial Statements effective 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures effective 1 January 2013
- IFRS 7 (Amendment) Disclosures - Offsetting Financial Assets and Liabilities effective 1 January 2013
- IFRS 10 Consolidated Financial Statements effective 1 January 2013
- IFRS 11 Joint Arrangements effective 1 January 2013
- IFRS 12 Disclosures of Interest in Other Entities effective 1 January 2013
- IFRS 13 Fair Value Measurement effective 1 January 2013
- IAS 19 (Amendment) Employee Benefits effective 1 January 2013
- IAS 27 Consolidated and Separate Financial Statements effective 1 January 2013
- IAS 28 Investments in Associates effective 1 January 2013
- IAS 32 (Amendment) Offsetting Financial Assets and Liabilities effective 1 January 2014
- IFRS 9 Financial Instruments: Presentation – Classification and Measurement effective 1 January 2015

3 Revenue

An analysis of the Group's revenue is as follows:

	2012 £	2011 £
Continuing operations		
Rendering of services	**2,948,901**	3,745,565

4 Operating loss

	2012 £	2011 £
The operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
- Owned tangible fixed assets	**70,406**	37,119
Amortisation of other intangible assets	**18,487**	89,672
Provision for employers taxes on share options (Note 26)	**(243,522)**	336,130
Operating lease rentals: other	**158,449**	166,403
Gain on disposal of property, plant and equipment	**(1,250)**	1,318
Expenses for share placing costs	**162,173**	-
Expenses for proposed business combination	**50,000**	-
Exchange loss/(gain)	**22,367**	166,518

5 Auditors' remuneration

	2012 £	2011 £
Audit fees payable to the auditor for the audit of the Company's annual financial statements	**25,850**	34,164
Fees payable to the Company's current auditors and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	**19,500**	14,750
Other services relating to taxation	**12,250**	17,680
Other services	**8,610**	8,214
	66,210	74,808

Other services relate to the review of interim results, the provision of audit related advice and services provided as Trustee of the Parkmead Employee Benefit Trust.

6 Operating segment information

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

- The oil and gas exploration and production segment invests in oil and gas exploration and production assets.
- The energy economics segment provides energy sector economics, valuation and benchmarking, advising on energy policies and fiscal matters, undertaking economic evaluations, supply benchmarking services and provide training.

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the financial statements
continued

6 Operating segment information *continued*

Year ended 30 June 2012

	Oil and Gas Exploration and Production £	Energy Economics £	Adjustments and eliminations £	Consolidated £
Revenue				
External customer	441,171	2,507,730	-	2,948,901
Inter-segment	70,000	-	(70,000)	-
Total revenue	511,171	2,507,730	(70,000)	2,948,901
Results				
Operating profit/(loss)	(5,157,093)	452,532	-	(4,704,561)
Finance income	11,261	223	-	11,484
Finance costs	(222,737)	-	-	(222,737)
Segment profit/(loss)	(5,368,569)	452,755	-	(4,915,814)
Operating assets	21,266,895	4,712,332	(3,064,767)	22,914,460
Operating liabilities	(13,288,934)	(427,792)	3,064,767	(10,651,959)
Other disclosures				
Capital expenditure	3,236,120	17,368	-	3,253,488
Depreciation and amortisation	56,603	32,290	-	88,893

1) Inter-segment revenues 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 2011

	Oil and Gas Exploration and Production £	Energy Economics £	Adjustments and eliminations £	Consolidated £
Revenue				
External customer	60,000	3,685,565	-	3,745,565
Inter-segment	110,000	-	(110,000)	-
Total revenue	170,000	3,685,565	(110,000)	3,745,565
Results				
Operating profit/(loss)	(4,480,305)	907,058	-	(3,573,247)
Finance income	12,310	107	-	12,417
Finance costs	-	(797)	-	(797)
Profit on sale of available-for-sale financial assets	112,388	-	-	112,388
Other losses on financial assets at fair value through profit or loss	(927)	-	-	(927)
Segment profit/(loss)	(4,365,534)	906,368	-	(3,450,166)
Operating assets	8,137,265	4,268,850	(72,049)	12,334,066
Operating liabilities	(2,932,202)	(466,656)	72,049	(3,326,809)
Other disclosures				
Capital expenditure	84,164	58,968	-	143,132
Depreciation and amortisation	18,930	107,861	-	126,791

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

6 Operating segment information *continued*

Geographic information

Revenues from external customers

	2012 £	2011 £
Europe	**819,266**	243,955
North America	**369,588**	187,437
Africa	**1,554,273**	3,207,834
Rest of the World	**205,774**	106,339
Total revenue per Group income statement	**2,948,901**	3,745,565

The revenue information is based on the location of the customer.

Revenue from one customer amounted to £1,476,316 (2011: £3,207,834), arising from sales by the Energy Economics segment.

Non-current assets

	2012 £	2011 £	2010 £
Europe	**5,510,341**	2,345,746	2,333,416
North America	**-**	-	-
Africa	**-**	-	-
Rest of the World	**-**	-	-
Total	**5,510,341**	2,345,746	2,333,416

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.

7 Staff costs

Employee benefits expense:

Group	2012 £	2011 £
Wages and salaries	**2,008,152**	1,649,166
Social security costs	**448,941**	503,522
Other pension costs	**128,297**	161,691
Charge for share based payments (Note 30)	**2,556,601**	2,144,186
	5,141,991	4,458,565

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

	2012 No.	2011 No.
Management and consultants	**26**	16
Administration	**3**	6
IT	**5**	5
	34	27

8 Directors' emoluments

Directors' remuneration in aggregate comprised:	2012 £	2011 £
Aggregate emoluments	**634,735**	839,970
Company pension contributions to money purchase schemes	**13,000**	83,353
	647,735	923,323

During the year one (2011: one) Director accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £13,000 (2011: £83,353).

No Directors exercised share options or share appreciation rights in the period (2011: none).

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

	Salary and Fees £	Benefits in Kind £	Pension £	Total 2012 £	Total 2011 £
T P Cross	**290,000**	**1,655**	**-**	**291,655**	204,513
D A MacKay	**130,000**	**1,802**	**13,000**	**144,802**	180,101
P J Dayer	**20,000**	**-**	**-**	**20,000**	10,692
D I Rawlinson	**20,000**	**-**	**-**	**20,000**	10,692
N P Doran	**64,173**	**107,105**	**-**	**171,278**	482,387
C R Goodall	**-**	**-**	**-**	**-**	12,500
F E Hamza	**-**	**-**	**-**	**-**	14,438
B Wilson	**-**	**-**	**-**	**-**	8,000
Total	**524,173**	**110,562**	**13,000**	**647,735**	923,323

In October 2010 T P Cross and D A MacKay participated in the share appreciation rights (SARs) arrangements for senior management, details of which are provided in Note 30. Details of outstanding SARs held by each director as at 30 June 2012 and 30 June 2011 are as follows:

	Number of SARs outstanding	Exercise price	Date from which exercisable	Expiry date
T P Cross*	15,750,000	£0.0155	11 October 2012	11 October 2020
T P Cross**	15,750,000	£0.0155	11 October 2013	11 October 2020
D A MacKay*	3,750,000	£0.0155	11 October 2012	11 October 2020
D A MacKay**	3,750,000	£0.0155	11 October 2013	11 October 2020
T P Cross	13,523,000	£0.1063	8 February 2014	8 August 2021
T P Cross	13,523,000	£0.1063	8 August 2014	8 August 2021
D A MacKay	3,219,000	£0.1063	8 February 2014	8 August 2021
D A MacKay	3,219,000	£0.1063	8 August 2014	8 August 2021

From 1 August 2011 I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non Executive Directors, details of which are provided in Note 31. I Rawlinson and P Dayer each will receive 564,440 shares subject to them fulfilling a 3 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.

There are no outstanding share options held by directors as at 30 June 2012. 33,485,616 share options previously held by N P Doran were forfeited during the year.

8 Directors' emoluments *continued*

Details of outstanding SARs held by each director as at 30 June 2011:

	Number of SARs outstanding	Exercise price	Date from which exercisable	Expiry date
T P Cross *	15,750,000	£0.0155	11 October 2012	11 October 2020
T P Cross **	15,750,000	£0.0155	11 October 2013	11 October 2020
D A MacKay *	3,750,000	£0.0155	11 October 2012	11 October 2020
D A MacKay **	3,750,000	£0.0155	11 October 2013	11 October 2020

* The vesting condition associated with these SARs is such that the SARs vest at any time if the closing mid market price of the ordinary shares of the Company exceeds 18 pence. This vesting condition was met in December 2010.

** The vesting condition associated with these SARs is such that the SARs vest at any time if the closing mid market price of the ordinary shares of the Company exceeds 27 pence. This vesting condition was met in December 2010.

Details of outstanding share options held by directors as at 30 June 2011 were as follows:

	Scheme	Number of options outstanding	Exercise price	Date from which exercisable	Expiry date
N P Doran *	Unapproved	33,485,616	£0.08	22 May 2006	22 May 2016

* The vesting conditions associated with these options are such that 50% of the options vest at any time if the closing mid market price of the ordinary shares of the Company exceeds 18 pence. The remainder of the options vest if, at any time, the closing mid market price exceeds 27 pence. These vesting conditions were met in December 2010. The options expire in May 2016.

9 Finance income

	2012 £	2011 £
Bank interest receivable	**11,484**	3,422
Imputed interest receivable	**-**	8,995
	11,484	12,417

The imputed interest receivable of £- (2011: £8,995) represents the accretion of the value of assets that have been discounted over time.

10 Finance costs

	2012 £	2011 £
Interest payable on loans and borrowings	**222,737**	-
Interest on late paid taxes	**-**	797
	222,737	797

11 Profit on sale of available-for-sale financial assets

In November 2010 the Group sold its entire holding in Prevx Group Limited for a gross consideration of $181,808 and 41,319 shares in Weebroot Software Inc. Prevx Group Limited investment had been impaired fully in previous years and the group recognised a profit on disposal of £112,388.

12 Other losses on financial assets at fair value through profit or loss

	2012 £	2011 £
Other financial assets at fair value through profit or loss:		
- Fair value losses	-	(927)
	-	(927)

13 Taxation

The major components of income tax expense for the years ended 30 June 2012 and 2011 are:

	Note	2012 £	2011 £
Current tax:			
Corporation tax at 25.5% (2011: 27.5%) based on the loss for the year		-	-
Adjustments in respect of current income tax of previous periods		**(2,011)**	(5,459)
Overseas current taxation		-	163,834
Deferred tax:			
Relating to origination and reversal of temporary differences	25	**(2,214)**	(18,905)
Income tax (credit)/expense reported in the income statement		**(4,225)**	139,470

Tax has been calculated using an estimated annual effective rate of 25.5% (2011: 27.5%) on loss before tax.

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2012 £	2011 £
Loss on ordinary activities before tax	**(4,915,814)**	(3,450,166)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.5% (2011: 27.5%)	**(1,253,533)**	(948,796)
Effects of:		
Adjustments in respect of current income tax of previous periods	**(2,011)**	(5,459)
Expenses not deductible for tax purposes and other permanent differences	**738,494**	627,784
Depreciation in the year in excess of capital allowances	**5,902**	(8,513)
Imputed interest not taxable	-	(2,474)
Other timing differences	-	(17,275)
Investments written down - not tax deductible	-	255
Utilisation of previously unrecognised tax losses	-	(10,258)
Unrelieved tax losses	**506,923**	504,206
Total tax (credit)/charge for the year	**(4,225)**	139,470

The tax charge arising on the loss on discontinued operations is £nil (2011: £nil).

14 Discontinued operations

On 12 January 2011 the Company was paid the full deferred cash consideration of £1,969,449 owed to it by D J Mills pursuant to the Company's disposal of Quayside Corporate Services Limited to D J Mills in 2007. Receipt of this payment satisfies in full the consideration due to the Company by D J Mills.

In the year ended 30 June 2011 the Group recognised a gain in the value of deferred consideration receivable for D J Mills in relation to the disposal of Quayside Corporate Services Limited of £1,732,247, resulting in a total profit on disposal of £371,731 recognised to 30 June 2011.

Results of discontinued operations:

	2012 £	2011 £
Profit after tax from operations	-	-
Profit/(loss) on disposal	-	1,732,247
Profit/(loss) after tax- discontinued operations	-	1,732,247

15 Loss per share

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

	2012	2011
Loss per 0.1p ordinary share from continuing operations (pence)		
Basic and diluted	**(0.78p)**	(0.59p)
Profit/(loss) per 0.1p ordinary share from discontinued operations (pence)		
Basic	-	0.28p
Diluted	-	0.26p
Loss per 0.1p ordinary share from total operations (pence)		
Basic and diluted	**(0.78p)**	(0.31p)

The calculations were based on the following information:

	2012 £	2011 £
(Loss)/profit attributable to ordinary shareholders		
Continuing operations	**(4,911,589)**	(3,589,636)
Discontinued operations	-	1,732,247
Total	**(4,911,589)**	(1,857,389)
Weighted average number of shares in issue		
Basic weighted average number of shares	**630,738,232**	605,525,848
Dilutive potential ordinary shares		
Share options	**35,510,993**	55,939,513

Loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year. Potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of continuing and total operations diluted earnings per share.

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 increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be decreased by the exercise of share options.

Notes to the financial statements

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16 Property, plant and equipment

Group	Short leasehold properties £	Fixtures, fittings and computer equipment £	Total £
Cost			
At 1 July 2011	-	237,167	237,167
Additions	92,250	97,736	189,986
Disposals	-	(25,918)	(25,918)
At 30 June 2012	92,250	308,985	401,235
Depreciation			
At 1 July 2011	-	108,610	108,610
Depreciation charged in the year	7,324	63,082	70,406
Eliminated on disposal	-	(25,918)	(25,918)
At 30 June 2012	7,324	145,774	153,098
Net book amount			
At 30 June 2012	84,926	163,211	248,137
At 30 June 2011	-	128,557	128,557

Company	Short leasehold properties	Fixtures, fittings and computer equipment £	Total £
Cost			
At 1 July 2011	-	157,402	157,402
Additions	92,250	80,368	172,618
Disposals	-	(25,918)	(25,918)
At 30 June 2012	92,250	211,852	304,102
Depreciation			
At 1 July 2011	-	80,107	80,107
Depreciation charged in the year	7,324	42,204	49,528
Eliminated on disposal	-	(25,918)	(25,918)
At 30 June 2012	7,324	96,393	103,717
Net book amount			
At 30 June 2012	84,926	115,459	200,385
At 30 June 2011	-	77,295	77,295

16 Property, plant and equipment *continued*

The comparable table for 2011 is detailed below:

Group	Fixtures, fittings and computer equipment £	Total £
Cost		
At 1 July 2010	141,077	141,077
Additions	108,909	108,909
Disposals	(12,819)	(12,819)
At 30 June 2011	237,167	237,167
Depreciation		
At 1 July 2010	80,299	80,299
Depreciation charged in the year	37,119	37,119
Eliminated on disposal	(8,808)	(8,808)
At 30 June 2011	108,610	108,610
Net book amount		
At 30 June 2011	128,557	128,557
At 30 June 2010	60,778	60,778

Company	Fixtures, fittings and computer equipment £	Total £
Cost		
At 1 July 2010	86,057	86,057
Additions	84,164	84,164
Disposals	(12,819)	(12,819)
At 30 June 2011	157,402	157,402
Depreciation		
At 1 July 2010	69,985	69,985
Depreciation charged in the year	18,930	18,930
Eliminated on disposal	(8,808)	(8,808)
At 30 June 2011	80,107	80,107
Net book amount		
At 30 June 2011	77,295	77,295
At 30 June 2010	16,072	16,072

Notes to the financial statements

continued

17 Intangible assets

Year ended 30 June 2012

	Exploration and Evaluation costs £	Other intangible assets £	Goodwill £	Total £
Cost				
At 1 July 2011	-	245,797	2,173,532	2,419,329
Additions	3,063,502	-	-	3,063,502
At 30 June 2012	3,063,502	245,797	2,173,532	5,482,831
Amortisation and impairment				
At 1 July 2011	-	202,140	-	202,140
Amortisation	-	18,487	-	18,487
At 30 June 2012	-	220,627	-	220,627
Net book amount				
At 30 June 2012	3,063,502	25,170	2,173,532	5,262,204
At 30 June 2011	-	43,657	2,173,532	2,217,189

Other intangibles include development costs and contract and customer relationships.

The comparable table for 2011 is detailed below:

	Other intangible assets £	Goodwill £	Total £
Cost			
At 1 July 2010	223,181	2,173,532	2,396,713
Additions – internal development	34,223	-	34,223
Disposals	(11,607)	-	(11,607)
At 30 June 2011	245,797	2,173,532	2,419,329
Amortisation and impairment			
At 1 July 2010	124,075	-	124,075
Amortisation	89,672	-	89,672
Eliminated on disposal	(11,607)	-	(11,607)
At 30 June 2011	202,140	-	202,140
Net book amount			
At 30 June 2011	43,657	2,173,532	2,217,189
At 30 June 2010	99,106	2,173,532	2,272,638

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:

	2012 £	2011 £
Oil and Gas Exploration and Production	-	-
Energy Economics	**2,173,532**	2,173,532
	2,173,532	2,173,532

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 20 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 developing world government ministries.

The Group test 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.

17 Intangible assets *continued*

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 five-year period, and a discount rate of 10%. Management estimated the discount rate using pre-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 five years using a 1% 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. The estimate used assumes that the Group will be able to renew its supply agreement with its key customer in 2012.

Based on these assumptions, at 30 June 2012 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £1,004k. If revenues fell from the assumed level by 15% after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of goodwill would be equal to the carrying value.

None of the goodwill is expected to be tax deductible.

18 Investment in subsidiaries and joint ventures

Company	Subsidiary and joint venture undertakings £
Cost or valuation	
At 1 July 2011	**3,952,817**
Share options awards to employees in subsidiaries	**28,587**
Disposal	**(50,000)**
At 30 June 2012	**3,931,404**
Amortisation and impairment	
At 1 July 2011	**50,000**
Disposal	**(50,000)**
At 30 June 2012	**-**
Net book amount	
At 30 June 2012	**3,931,404**
At 30 June 2011	3,902,817

The comparable table for 2011 is detailed below:

Company	Subsidiary and joint venture undertakings £
Cost or valuation	
At 1 July 2010	3,933,353
Share options awards to employees in subsidiaries	20,464
Disposal	(1,000)
At 30 June 2011	3,952,817
Amortisation and impairment	
At 1 July 2010 and 30 June 2011	50,000
Net book amount	
At 30 June 2011	3,902,817
At 30 June 2010	3,883,353

Notes to the financial statements

continued

18 Investment in subsidiaries and joint ventures *continued*

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

Name of Undertaking	Class of Holding	Interest in Subsidiary/ joint venture	Nature of Business
Registered in Scotland:			
Aupec Limited	Ordinary	100%	Energy advisory and consulting services
Parkmead (E&P) Limited	Ordinary	100%	Oil & Gas Exploration and Production
Registered in Malta:			
British Borneo Expro Limited	Ordinary	49.9%	Dormant
Registered in Guernsey:			
Parkmead Special Situations Energy L.P.	Ordinary	100%	Dormant

The Directors believe that the carrying values of the investments are supported by their underlying net assets.

As part of a group rationalisation Corduene Investments Limited, Parkmead Employee Benefit Trust Limited, Parkmead Investment Subsidiary Limited and Radius Energy Limited were struck off the Companies House register during the year.

The share of assets, liabilities, revenues and profit of the joint ventures, Radius Energy Limited and British Borneo Expro Limited, which are included in the consolidated financial statements, are as follows:

	2012 £	2011 £
Current assets	-	39,656
Current liabilities	-	(64,540)
At 30 June	-	(24,884)
Revenue	-	-
Expenses	**24,884**	37,301
Profit/(loss) for the year	**24,884**	37,301

19 Business combinations

There were no acquisitions of companies or businesses during the year ended 30 June 2012 that required accounting under business combinations.

Acquisitions post year end
Acquisition of DEO Petroleum Plc

On 9 August 2012, the Group acquired 100% of the issued share capital of DEO Petroleum Plc ("DEO"), a company listed on the AIM Market of the London Stock Exchange and based in Scotland. DEO is an independent oil and gas company with exploration and production assets in UK.

The enlarged group will be stronger and better positioned, with a wider base of oil and gas assets in the UK and Netherlands, spanning the whole upstream opportunity-cycle from exploration, through appraisal, development and production.

DEO's main asset is the Perth field where a Field Development Programme is currently being worked on with targeted resources of 21.5mmbbls (net) from its 52 per cent. share of Phase one of the development. In addition, DEO has a carried interest of 12.62 per cent. in a Gamma/Spaniards appraisal well, and will make no cash contribution to the dry-hole cost of the first well.

Further information about the acquisition is available in the Rule 2.7 Announcement issued 28 May 2012 and approved by shareholders on 8 August 2012. This document is available on the Group's website (www.parkmeadgroup.com). The acquisition will be accounted for using the purchase method of accounting.

Details of net assets acquired and goodwill are as follows:

	2013 £
Purchase consideration	
- Cash paid	-
- Shares issued of 86,219,860 New Ordinary Shares	12,717,429
Total purchase consideration	12,717,429
Share of fair value of net assets acquired (see below)	13,933,405
Gain arising on business combination	**1,215,976**

As required under IFRS3, a provisional fair value review has been carried out in 2012. A final fair value review will be completed in 2013. The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount £	Provisional Fair value £
Intangible exploration and evaluation assets	14,993,403	17,561,000
Property, plant and equipment	74,996	74,996
Trade and other receivables	452,724	452,724
Cash and cash equivalents	(12,062)	(12,062)
Trade and other payables	(2,551,343)	(2,551,343)
Deferred tax liabilities	-	(1,591,910)
Net assets acquired	12,957,718	13,933,405

Cash flow on acquisition	£
Net cash acquired with the Company	(12,062)
Cash paid	-
Net cash outflow	(12,062)

The amounts recognised at acquisition date in respect of trade receivables acquired in the business combination approximate their fair value. The trade receivables are short-term in nature and therefore the amounts recognised at acquisition date equal the gross contractual amounts receivable.

Transaction costs of £50,000 relating to the acquisition of DEO were recognised as an expense during the year and further transaction costs of £244,319 will be included within administrative expenses in the income statement for 2013.

20 Available-for-sale financial assets

Group and company	2012 £	2011 £
Fair value		
At 1 July	**7,064,017**	5,384,124
Additions	**-**	17,420
Disposals	**(16,985)**	-
Profit / (loss) on revaluation	**(590,900)**	1,892,634
Imputed interest - discontinued operations	**-**	7,041
Settlement of deferred consideration - discontinued operations	**-**	(237,202)
At 30 June	**6,456,132**	7,064,017

Available-for-sale financial assets comprise the following:

	2012 £	2011 £
Quoted equity shares		
Equity shares – UK	**6,456,132**	7,047,032
Unquoted equity shares		
Equity shares – UK	**-**	-
Other assets		
Deferred consideration – UK	**-**	16,985
	6,456,132	7,064,017

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

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

Other assets
The deferred consideration of £16,985 represents the fair value of the outstanding consideration due in relation to the disposal of Prevx Group Limited which was sold by the Group in November 2010. The deferred consideration was paid in full within the year.

Impairment on available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Available-for-sale financial assets are denominated in the following currencies:

	2012 £	2011 £
Pound Sterling	**6,456,132**	7,047,032
Other currencies	**-**	16,985
	6,456,132	7,064,017

21 Trade and other receivables

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Current assets				
Trade receivables	**2,244,140**	1,372,580	**-**	1,488
Less: provision for impairment of trade receivables	**(24,200)**	(1,132)	**-**	(1,132)
Trade receivables – net	**2,219,940**	1,371,448	**-**	356
Receivables due from group companies	**-**	-	**2,762,856**	72,049
Other receivables	**510,750**	72,236	**507,973**	26,142
Prepayments and accrued income	**523,156**	206,421	**166,124**	98,787
	3,253,846	1,650,105	**3,436,953**	197,334

Current assets

Trade receivables

Trade receivables are non-interest bearing and generally have a 30 – 90 day term. Due to their short maturities, the fair value of trade receivables approximates their carrying amount.

Of the trade receivables balance at the end of the year, £1,402,525 (2011: £1,244,187) was due from the Group's largest customer.

A provision for impairment of trade receivables is established when there is no objective evidence that the Group will be able to collect all amounts due according to the original terms. The Group considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired.

Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2012, trade receivables of £3,207 (2011: £1,244,187) were three months past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2012 £	2011 £
3 to 6 months	**3,207**	1,244,187
Over 6 months	**-**	356
	3,207	1,244,543

Movements on the Group and Company provision for impairment of trade receivables were as follows:

	2012 £	2011 £
At 1 July	**1,132**	1,132
Amounts written off in the year	**(1,132)**	
Provision for receivables impairment	**24,200**	-
At 30 June	**24,200**	1,132

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

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Pound Sterling	**1,651,583**	349,653	**3,436,953**	197,334
Other currencies	**1,602,263**	1,300,452	**-**	-
	3,253,846	1,650,105	**3,436,953**	197,334

22 Cash and cash equivalents

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Cash at bank and in hand	**7,694,141**	1,274,198	**7,666,393**	749,539
	7,694,141	1,274,198	**7,666,393**	749,539

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.

23 Trade and other payables

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Current liabilities				
Trade payables	**932,967**	205,301	**138,799**	86,806
Amounts owed to group companies	**-**	-	**301,912**	-
Other taxes and social security costs	**245,239**	94,222	**219,376**	70,059
Accruals and deferred income	**2,907,757**	462,047	**2,323,898**	226,903
	4,085,963	761,570	**2,983,985**	383,768

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Non-current liabilities				
Accruals and deferred income	**3,452,069**	2,219,226	**3,452,069**	2,219,226
	3,452,069	2,219,226	**3,452,069**	2,219,226

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2011: 23 days). No interest is charged on the outstanding balance.

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

24 Interest-bearing loans and borrowings

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Non-current liabilities				
Other loans	**2,981,819**	-	**2,981,819**	-
	2,981,819	-	**2,981,819**	-

In November 2011 a loan facility of £8 million was agreed with T P Cross, Executive Chairman of the Group, and entities affiliated to him. The loan will have a tenor of two years, with an interest rate of 2.5 per cent. above LIBOR and it will be secured by a standard floating charge provided by the Group.

25 Deferred tax

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
At 1 July	**7,924**	(74,745)	**-**	-
Tax income recognised in the income statement	**(2,214)**	(18,905)	**-**	-
Overseas taxes suffered in advance	**-**	101,574	**-**	-
	5,710	7,924	**-**	-

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Deferred tax liability				
Accelerated capital allowances	**5,119**	5,560	**-**	-
Fair value gains	**591**	2,364	**-**	-
	5,710	7,924	**-**	-

Deferred Income tax assets are recognised on withholding tax incurred on overseas income not relieved in the current year to the extent that the realisation of related tax benefit through future taxable profits is probable.

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 as there is insufficient evidence that the asset will be recovered. The amount of excess management expenses available are £22.4m (2011: £20.4m), unclaimed capital allowances available are £0.5m (2011: £0.6m) and the amount of capital losses available are £71.5m (2011: £71.5m) and unrealised capital losses on available-for-sale financial assets of £1.9m (2011: £1.9m).

26 Provisions

Group	Employers taxes on options	Total
	£	£
At 1 July 2011	**338,089**	**338,089**
Arising during the year	**(215,984)**	**(215,984)**
At 30 June 2012	**122,105**	**122,105**

Company	Employers taxes on options	Total
	£	£
At 1 July 2011	**324,063**	**324,063**
Arising during the year	**(248,062)**	**(248,062)**
At 30 June 2012	**76,001**	**76,001**

Employer's taxes on options represent the provision for National Insurance arising on the expected gain on share based awards granted to employees. The cashflows are expected to arise over the remaining life of the options.

26 Provisions *continued*

The comparable table for 2011 is detailed below:

Group	Employers taxes on options £	Total £
At 1 July 2010	1,959	1,959
Arising during the year	336,130	336,130
At 30 June 2011	338,089	338,089

Company	Employers taxes on options £	Total £
At 1 July 2010	1,959	1,959
Arising during the year	322,104	322,104
At 30 June 2011	324,063	324,063

27 Contingent liability

Shares were allotted to, N P Doran, a former Director of the Company, during 2006 which were funded by a loan of £2,678,849 from the Employee Benefit Trust. £369,012 was repaid during the year, leaving a loan outstanding of £2,309,837. The loan is secured over the shares and the individual is protected from downside risk should the shares be sold for a value of £10,000 less than the value of the loan. The loan term expires on 22 May 2016. If the shares were sold at a value below the value of the loan the Company would be providing a benefit in kind to the individual to the value of the shortfall in the loan. The obligation to pay income tax on this benefit lies with the individual and the Company would only be liable for the Employer's National Insurance on the amount of the loan written off. The maximum liability is £318,757 if the shares were sold for £nil, although the timing or actual amount of any shortfall is unknown. At 30 June 2012, based on the Company's share price of 0.13p, no liability would arise.

28 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 related investments (including deferred consideration) held as available-for-sale financial assets, cash and cash equivalents, interest-bearing loans and various items such as trade receivables and trade payables that arise directly from its operations.

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

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

Market price risk

The Group and Company are exposed to equity price risk in respect of its available-for-sale investments which are in equity securities. These investments are held for strategic rather than trading purposes.

Listed investments

Some of the Group and Company's investments are in oil & gas exploration companies. Due to the nature of oil and gas exploration the share price of these companies is inherently volatile and significant movements over a short period are not uncommon. A 25% change represents management's estimate of a reasonably possible change in equity prices at the year end date. Given the potential volatility of these stocks the Group has included an assessment of the impact on the Group's results should there be a 5%, 25%, or 50% change in equity prices. The following tables demonstrate the sensitivity to equity prices, with all other variables held constant, on the Group's equity. There is no effect on the Group's profit for the year as the assets are available-for-sale financial assets and any change in value is recorded directly in equity, unless it is believed that a diminution is permanent in which case it is charged to the income statement.

28 Financial instruments and financial risk factors *continued*

Effect on equity	2012 £	2011 £
Increase or decrease of 5% in equity prices	**322,807**	352,352
Increase or decrease of 25% in equity prices	**1,614,033**	1,761,758
Increase or decrease of 50% in equity prices	**3,228,066**	3,523,516

Interest rate risk

The Group and Company's are exposed to interest rate risk as a result of positive cash balances and interest-bearing loans.

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.

	2012 £	2011 £
Floating rate financial assets < 1 year	**7,694,141**	1,274,198
Total	**7,694,141**	1,274,198

At 30 June 2012, short-term deposits were earning interest at a weighted average fixed deposit rate of nil% (2011: nil %). Cash at bank earns interest at floating rates based on a discount to GBP Base Rate. Interest earned at floating rates represents an insignificant risk of change in rates.

The Group and Company are exposed to interest rate risks through other loans (Note 24). The possible effect of changes in interest rates is shown below:

Effect on profit before tax	2012 £	2011 £
Increase or decrease of 1% change in LIBOR	**29,818**	-

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. 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. At 30 June 2012, the Group had one customer that owed the Group more than £50,000 and accounted for approximately 63% of all receivables owing.

The requirement for impairment is analysed at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date amounted to £2,219,940 (2011: £1,371,448). The Group does not hold collateral as security.

Liquidity risk

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

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

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Trade payables and other liabilities				
6 months or less	**3,840,724**	598,512	**2,764,592**	313,711
6-12 months	**-**	-	**-**	-
More than 1 year	**3,452,069**	2,219,226	**3,452,069**	2,219,226
	7,292,793	2,817,738	**6,216,661**	2,532,937

28 Financial instruments and financial risk factors *continued*

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Interest-bearing loans and borrowings				
6 months or less	-	-	-	-
6-12 months	-	-	-	-
More than 1 year	**2,981,819**	-	**2,981,819**	-
	2,981,819	-	**2,981,819**	-

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. In line with this the Group's net asset per share increased during the period under review (from 1.48 pence as at 30 June 2011 to 1.82 pence as at 30 June 2012).

Currency risk
The Group and Company are exposed to foreign currency risk on investments in available-for-sale financial assets and trade receivables. The currencies giving rise to the risk are United States Dollars, Canadian Dollars, Norwegian Kroner and Kuwaiti Dinar. The value of the Group's financial assets denominated in foreign currencies at 30 June 2012 was £1,602,263 (2011 - £1,317,437); Company £- (2011 - £16,985). A 25% change in Sterling exchange rate will result in an increase or decrease of £400,566 (2011 - £329,359) in the Group; Company £- (2011 - £4,246).

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 2012. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2012 Carrying amount £	2012 Fair value £	2011 Carrying amount £	2011 Fair value £
Loans and receivables at amortised cost	**3,253,846**	**3,253,846**	2,893,240	2,893,240
Financial liabilities at amortised cost	**(6,822,543)**	**(6,822,543)**	(205,301)	(205,301)
Available-for-sale financial assets at fair value	**6,456,132**	**6,456,132**	7,064,017	7,064,017
	2,887,435	**2,887,435**	9,751,956	9,751,956

Loans and receivables at amortised cost
The fair value approximates to the carrying amount because of the short maturity of these instruments.

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.

Available-for-sale financial assets at fair value
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.

Fair value measurement
Fair value measurements are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3)

28 Financial instruments and financial risk factors *continued*

The following table presents the Group's financial assets that are measured at fair value at 30 June 2012:

	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets	**6,456,132**	**-**	**-**	**6,456,132**

The following table presents the changes in Level 3 financial assets for the year ended 30 June 2012:

	£
Opening balance	**16,985**
Disposals in the year	**(16,985)**
Closing balance	**-**

29 Share capital and reserves

Authorised

	2012 No.	2011 No.
Ordinary shares of £0.001 each	**4,451,252,780**	4,451,252,780
Deferred shares of £0.049 each	**368,341,780**	368,341,780
	4,819,594,560	4,819,594,560

	£	£
Ordinary shares of £0.001 each	**4,451,253**	4,451,253
Deferred shares of £0.049 each	**18,048,747**	18,048,747
	22,500,000	22,500,000

Allotted, Called Up and Paid Up

	2012 No.	2011 No.
Ordinary shares of £0.001 each	**675,419,147**	609,601,823
Deferred shares of £0.049 each	**368,341,780**	368,341,780
	1,043,760,927	977,943,603

	£	£
Ordinary shares of £0.001 each	**675,419**	609,602
Deferred shares of £0.049 each	**18,048,747**	18,048,747
	18,724,166	18,658,349

65,817,324 new ordinary shares were issued as a result of 4,857,142 share options exercised at a price of 5 pence per share and 60,960,182 ordinary shares issued at a price of 14 pence in a share placing. Of the net proceeds received, £65,817 has been recorded in share capital, £8,711,465 in share premium and deduction of expenses of £162,173 in the income statement.

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 stated in the Group statement of changes in equity
The employee benefit trust reserve represented the debit arising from share based accounting treatment of a loan from The Parkmead Group plc to the employee benefit trust established in 2006. The Group have reviewed the accounting treatment of this and have reclassified this reserve within the retained earnings reserve.

The revaluation reserve represents the unrealised movement in the value of available-for-sale investments.

30 Prior year adjustment

Previously, the Group classified separately an equity reserve called employee benefit trust reserve which represented the debit arising from share based accounting treatment of a loan from The Parkmead Group plc to the employee benefit trust established in 2006. The Group have reviewed the accounting treatment of this and have reclassified this reserve within the retained earnings reserve.

This has been classified as a prior year adjustment. Therefore 2010, 2011 and 2012 financial position has been corrected to reflect this change. There is no effect on the results of the Group or net asset position in each of these periods.

31 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 2012, 11 employees (2011: 9) held share options.

Share options have been awarded under three different schemes:
- EMI options; a government approved scheme for qualifying companies
- Unapproved options
- Unapproved options with vesting conditions

Share appreciation rights – cash settled
Certain key management and staff are awarded share appreciation rights (SARs), which can only 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 2012 is £4,914,981 (2011: £1,950,111).

Deferred share payments – cash settled
I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non Executive Directors. I Rawlinson and P Dayer each will receive 564,440 shares subject to them fulfilling a 3 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 SARs 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 2012 is £44,764 (2011: £nil).

Expense arising from share based payments
The expense recognised for employee services received during the year is shown as follows:

	2012 £	2011 £
Equity-settled share based payments	**(388,562)**	194,075
Cash-settled share based payments	**2,945,163**	1,950,111
	2,556,601	2,144,186

There have been no cancellations or modifications to any plans during 2012 or 2011. 33,485,616 share options were forfeited in 2012.

Movements in the year
The movement in share option awards during the year ended 30 June 2012 is as follows:

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**56,930,334**	**£0.0669**	51,855,590	£0.0675
Granted	**3,426,000**	**£0.1063**	10,904,000	£0.0521
Exercised	**(4,857,142)**	**£0.0500**	(5,799,256)	£0.0446
Forfeited	**(33,485,616)**	**£0.0800**	(30,000)	£0.0538
Outstanding at 30 June	**22,013,576**	**£0.0567**	56,930,334	£0.0669
Exercisable at 30 June	**9,683,576**	**£0.0359**	46,026,334	£0.0704

31 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	2012	2011
8 April 2013	5.00 pence	**1,796,909**	6,654,051
8 April 2013	5.38 pence	**1,666,667**	1,666,667
27 April 2014	5.00 pence	**125,000**	125,000
20 December 2014	5.38 pence	**70,000**	70,000
1 April 2015	6.75 pence	**25,000**	25,000
12 December 2015	5.00 pence	**2,000,000**	2,000,000
30 April 2016	8.00 pence	**-**	33,485,616
1 January 2020	1.29 pence	**2,000,000**	2,000,000
11 October 2020	1.55 pence	**5,360,000**	5,360,000
19 November 2020	8.75 pence	**5,544,000**	5,544,000
8 August 2021	10.63 pence	**3,426,000**	-
		22,013,576	56,930,334

The options outstanding at 30 June 2012 had a weighted average remaining contractual life of 7 years (2011: 5 years).

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

	Share price	Exercise price	Volatility	Vesting Period	Expected life	Expected dividend yield	Risk free rate	Fair value
April 2003	£0.0308	£0.0500	107%	3 years	10 years	0%	4.41%	£0.0279
December 2004	£0.0491	£0.0538	94%	3 years	10 years	0%	4.53%	£0.0435
December 2005	£0.0616	£0.0500	84%	0 years	10 years	0%	4.22%	£0.0534
January 2010	£0.0095	£0.0129	69%	0 years	10 years	0%	3.93%	£0.0070
October 2010	£0.0140	£0.0155	68%	3 years	10 years	0%	3.02%	£0.0104
November 2010	£0.0788	£0.0875	102%	3 years	10 years	0%	2.96%	£0.0711
August 2011	£0.0957	£0.1063	118%	3 years	10 years	0%	2.55%	£0.0901

Options granted in April 2004 and April 2005 did not meet the requirements to be included under IFRS, so a fair value figure has not been calculated.

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

Additionally, shares were allotted during 2006 which were funded by a loan from the Employee Benefit Trust. The loan is secured over the shares and the individual is protected from downside risk should the shares be sold for a value of £10,000 less than the value of the loan. In accordance with IFRS 2, this benefit constitutes a share based payment and a charge has been recognised accordingly. The assumptions used are consistent with the May 2006 options above and a binomial model has been used to value this benefit which was recorded on vesting in a prior period.

The fair value of the SARs granted at 30 June 2012 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 2012	Exercise price	Volatility	Vesting Period	Expected life	Expected dividend yield	Risk free rate
October 2010 *	19,500,000	£0.13	£0.0155	113%	2 years	10 years	0%	1.68%
October 2010 **	19,500,000	£0.13	£0.0155	113%	3 years	10 years	0%	1.68%
August 2011	16,742,000	£0.13	£0.1063	113%	2.5 years	10 years	0%	1.68%
August 2011	16,742,000	£0.13	£0.1063	113%	3 year	10 years	0%	1.68%

31 Share based payments *continued*

The fair value of the SARs granted at 30 June 2011 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 2011	Exercise price	Volatility	Vesting Period	Expected life	Expected dividend yield	Risk free rate
October 2010 *	19,500,000	£0.17	£0.0155	116%	2 years	10 years	0%	3.24%
October 2010 **	19,500,000	£0.17	£0.0155	116%	3 years	10 years	0%	3.24%

* The vesting condition associated with these SARs is such that the SARs vest at any time if the closing mid market price of the ordinary shares of the Company exceeds 18 pence. This vesting condition was met in December 2010.

** The vesting condition associated with these SARs is such that the SARs vest at any time if the closing mid market price of the ordinary shares of the Company exceeds 27 pence. This vesting condition was met in December 2010.

32 Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is £5,037,678 (2011: £1,434,087).

33 Notes to the statement of cashflows

Reconciliation of operating loss to net cash flow from continuing operations

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Operating loss	**(4,704,561)**	(3,573,247)	**(4,826,202)**	(4,496,395)
Depreciation	**70,406**	37,119	**49,528**	18,930
Amortisation	**18,487**	89,672	**-**	-
Impairment of loans/investments	**-**	96,467	**-**	96,467
Foreign exchange on receivables	**-**	435	**-**	435
Gain on disposal of fixed assets	**(1,250)**	(1,318)	**(1,250)**	(1,318)
Provision for share based payments	**2,963,030**	2,144,186	**2,934,443**	2,123,722
(Increase)/decrease in receivables	**(1,531,682)**	1,508,140	**(3,239,618)**	9,652
Increase/(decrease) in payables	**1,070,184**	(1,728,786)	**418,068**	(791,756)
Increase/(decrease) in other provisions	**(215,984)**	336,130	**(248,062)**	322,104
Net cash flow from operations	**(2,331,370)**	(1,091,202)	**(4,913,093)**	(2,718,159)

34 Other financial commitments

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

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

Land and buildings

	2012 £	2011 £
Within one year	**-**	-
Within two to five years	**130,200**	73,500
More than five years	**863,100**	961,740
	993,300	1,035,240

35 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 £365,600 (2011: £110,000).

In March 2011 a dividend of £1,206,312 was paid by Aupec Limited to The Parkmead Group plc.

Any balances outstanding at 30 June 2012 and 2011 in respect of the above transactions are shown in Note 21 and Note 23.

Transactions with Directors

In 2011, the Company entered into a 10 year lease with Tilestamp Limited, a company where T P Cross is a director and a shareholder. Rents charged during the period amounted to £100,945 (2011 £34,678).

In November 2011, the Company entered into a £8 million loan facility with T P Cross, and entities affiliated to him. The loan will have a tenor of two years, with an interest rate of 2.5 per cent. above LIBOR and is secured by a standard floating charge provided by the Group. The Company drew down £2,981,819 of the loan facility during the year. Interest and arrangement fees charged during the period amounted to £222,737.

In 2011, the Company paid rents of £11,748 to Energy Management Associates Limited, a company where T P Cross is a director and a shareholder. In 2012, Company paid office improvement costs of £18,200 to Energy Management Associates Limited.

In March 2012, the Company raised approximately £8.53m (gross) through a placing of 60,960,182 new Ordinary Shares (the "Placing Shares") at 14 pence per share.

T P Cross, and with entities affiliated to him subscribed for 24,695,090 Placing Shares, representing 40.5 per cent. of the total Placing Shares to be issued.

D A MacKay and P J Dayer each subscribed for respectively 152,445 and 357,142 Ordinary Shares in the Placing.

Transactions with other related parties

On 8 November 2007 the Company sold its entire holding in Quayside Corporate Services Limited to Mr D J Mills. Per the terms of the arrangement, part of the consideration was deferred, (see Note 14). On 12 January 2011 the Company was paid the full deferred cash consideration of £1,969,449 owed to it by Mr D J Mills.

Key management

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

	2012 £	2011 £
Short-term employee benefits	**678,283**	1,528,796
Post-employment pension benefits	**28,412**	98,245
Termination benefits	**-**	-
Share-based payment transactions	**2,973,750**	2,096,612
	3,680,445	3,723,653

36 Post year end date events

Acquisition of DEO Petroleum

On 28 May 2012 The Parkmead Group plc announced that it had reached agreement on the terms of a recommended offer under which The Parkmead Group plc would acquire the entire issued and to be issued ordinary share capital of DEO Petroleum Plc ("DEO"). The acquisition was to be implemented by way of a Court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006.

On 8 August 2012 the Court sanctioned the Scheme, and the relevant court orders have been delivered to the Registrar of Companies and therefore the Scheme effective in accordance with its terms. On 9 August 2012 the acquisition was therefore completed and DEO has become a wholly-owned subsidiary of The Parkmead Group plc. Under the terms of the Scheme, holders of Scheme Shares were entitled to receive 2 New Parkmead Group plc Shares for each Scheme Share and The Parkmead Group plc made an application for the admission of 86,219,860 Parkmead Group plc Shares to be admitted to trading on AIM.

The financial impact of the business combination is disclosed in note 19.

The Parkmead Group Acquires Stakes in Six Oil and Gas Fields and Achieves First Production

On 8 August 2012 the Parkmead Group completed the acquisition of a portfolio of Netherlands onshore assets from Dyas B.V. for a total consideration of €7.5 million, comprising interests in four producing gas fields and two oil fields. These assets specifically comprise:

- A 15 per cent interest in the Andel V Production Licence, including the two producing gas fields at Wijk en Aalburg and Brakel, as well as the Ottoland oil field development;
- A 15 per cent interest in the Papekop Production Licence, including the Papekop oil field development; and
- A 15 per cent interest in the Drenthe III Production Licence (excluding Vinkega) and the Drenthe IV Production Licence, which together include the two producing gas fields at Geesbrug and Grolloo.

The consideration for the assets comprises an initial cash payment of €4.5 million (before working capital adjustments from the effective date to the date of completion) for the acquisition of the interests and a contingent payment of €3 million, payable on the first commercial sale of oil from the Papekop field development.

In addition, the portfolio being acquired provides the Parkmead Group with near term oil field developments at Ottoland and Papekop with the former forecast to come onstream in 2013. The recent successful extended well test performed on Ottoland during Q4 2011 produced oil at a stable rate from the existing single well on this accumulation. Analysis of the test results will allow optimisation of the development plan, including determination of the number of production wells required to efficiently.

37 Jointly Controlled Assets

Exploration acreage and discoveries as at 30 June 2012:

Country	Licence	Block Destination	Field Name	Field Operator	Net unit Interest (%)
UK	P.1242	48/1a, 47/5b	Platypus	Dana	15
UK	P.1566	47/4d, 47/5d		Dana	20
UK	P.1594	48/1c		Dana	15
UK	P.1742	47/10c, 48/6c	47/10 - 8	Dana	20

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