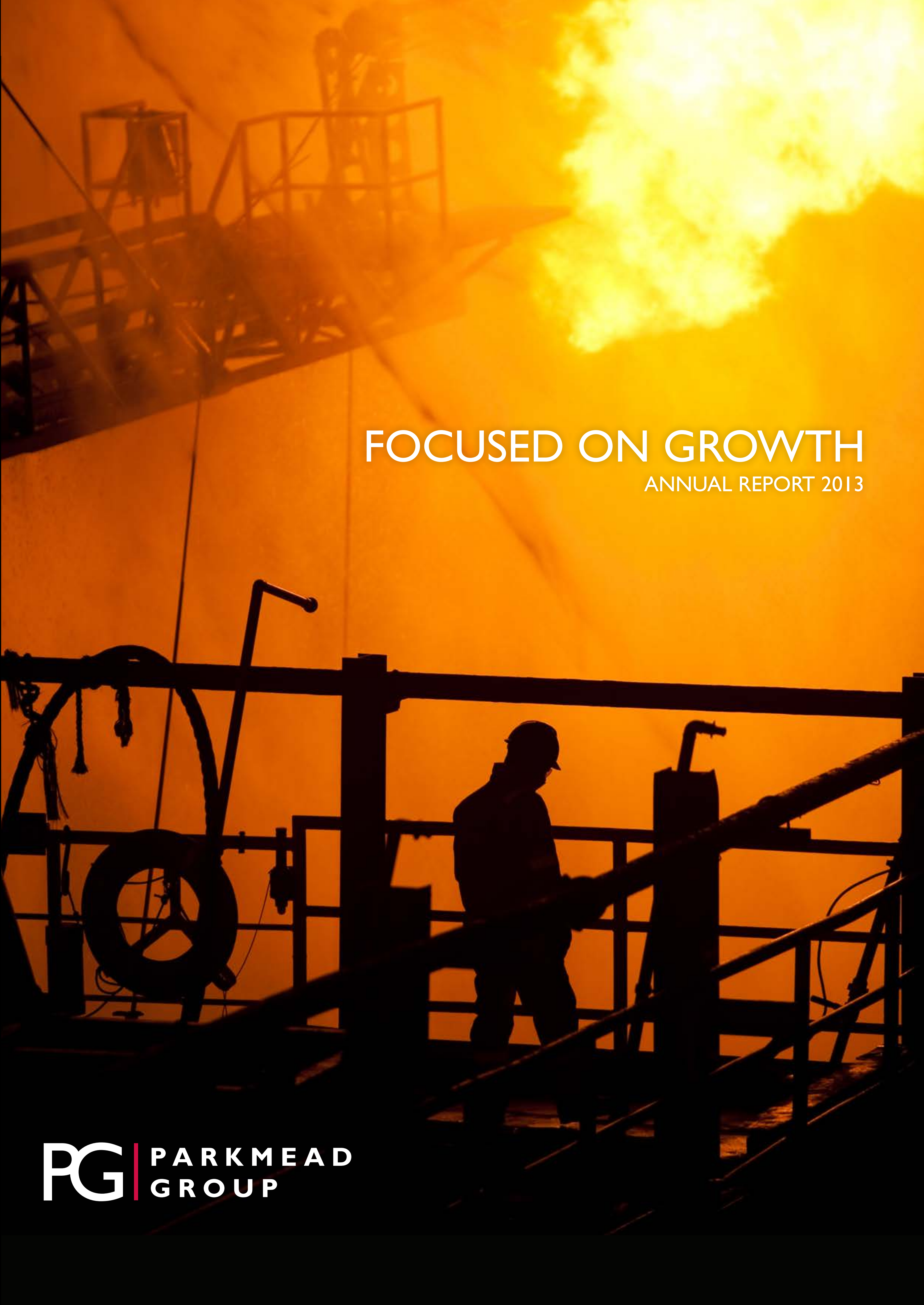


FOCUSED ON GROWTH

ANNUAL REPORT 2013

PG PARKMEAD GROUP

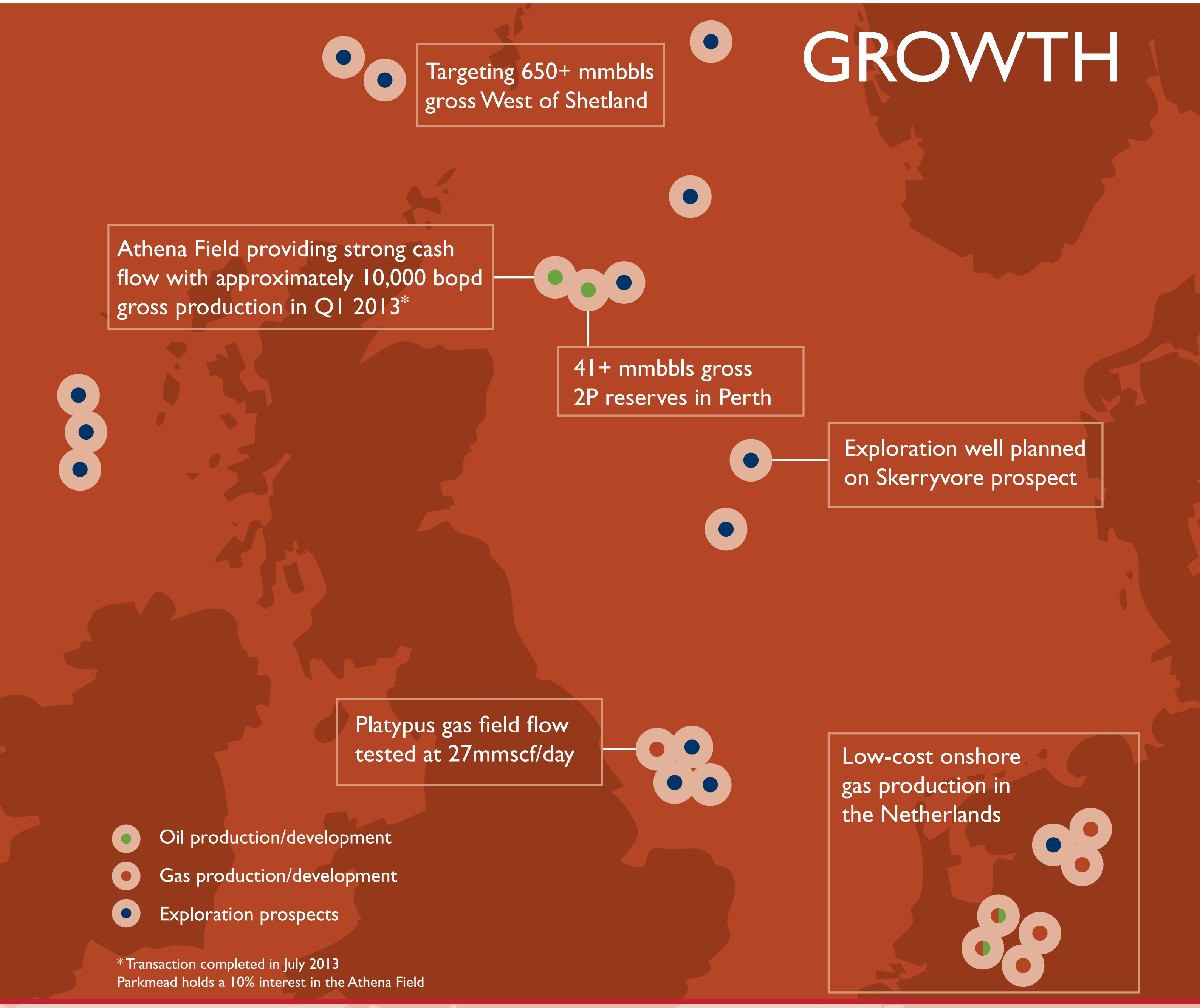
Achieving TARGETS

+400%	increase in production with completion of Lochard Energy Group PLC acquisition in July 2013
+38%	increase in revenue
+133%	increase in total assets
+25	blocks awarded in the UKCS 27th Licensing Round
+4	producing gas fields and 2 future oil & gas developments acquired in portfolio of Netherlands onshore assets
+1st	successful appraisal well at the UK Platypus gas field
+£16m	equity raised in January 2013, providing finance for further growth
+21.5	million barrels of oil reserves added in the UK with the acquisition of DEO Petroleum plc

"Parkmead has made outstanding progress in its first two years of operation. From having no licences, reserves or production in late 2011, the Group now holds 48 blocks under licence, 25.4 million barrels of 2P reserves and production of over 1,000 barrels of oil equivalent per day."

Tom Cross, Executive Chairman

Focused on GROWTH



*Transaction completed in July 2013
Parkmead holds a 10% interest in the Athena Field

Contents

Significant momentum achieved

August 2012

Announced successful APPRAISAL drilling at the **Platypus gas field** in the UK Southern North Sea providing a near-term development opportunity.

Completed the ACQUISITION of DEO Petroleum plc, giving Parkmead a 52% operated stake in the **Perth oil development** in the Central North Sea.

Completed the ACQUISITION of a portfolio of **Netherlands onshore assets** from Dyas B.V., consisting of 4 producing gas fields and 2 future oil & gas developments.

October 2012

Announced the award of several NEW LICENCES in the UKCS 27th Licensing Round covering **25 blocks across the UK North Sea.**

November 2012

Final results announced, with an **86% increase** to TOTAL ASSETS.

Chairman's statement

"2013 has been an excellent year for Parkmead. Following strong growth in the Group's oil and gas portfolio during 2012, in May 2013 the Company announced its acquisition of Lochard Energy Group PLC ("Lochard"), Parkmead's largest deal to date. The Lochard acquisition provides Parkmead with a significant increase in production, revenue and cash flow, which acts as a superb platform for the Company's next phase of growth.

Parkmead was successful in winning interests in, and operatorship of, a total of 25 offshore blocks across the UK in the 27th Licensing Round in October 2012. The award of these new licences was finalised in January 2013. We have already begun various work programmes across the blocks, with seismic and detailed mapping work underway. This substantial increase in the Group's asset base has firmly established Parkmead as an offshore operator in the UK."

Operations and Portfolio Growth

The Group has made considerable progress towards building an independent oil and gas company of significant scale, by maximising opportunities and adding value to Parkmead's growing portfolio. In May 2013, the Group announced its recommended offer for Lochard, which was completed post financial year end in July 2013. As a result, Parkmead now holds a 10% working interest in the producing Athena oil field in the UK North Sea. This has increased Parkmead's production, revenue and cash flow substantially, and provides an excellent complement to our gas production in the Netherlands. We are working alongside the operator of Athena to increase oil recovery from the field, thus maximising shareholder value from the Lochard acquisition.

In line with our strategy, Parkmead has shown a strong appetite for value-accretive transactions, at both asset and corporate level, as we look to build oil and gas projects across the entire spectrum from exploration through to appraisal, development and production. Parkmead is pleased to have completed the DEO Petroleum plc ("DEO") acquisition as well as the purchase of a portfolio of producing Netherlands assets, both in August 2012. These acquisitions have provided the Group with low-cost onshore gas production as well as a sizeable new oil reserves position in the UK.

Acquisitions to date have focused on opportunities in Parkmead's preferred geographical area of Europe. The high level of activity demonstrates the drive and ambition of our Company, and its team, and creates a strong foundation from which to become a key E&P player in the North Sea and beyond.

Parkmead is equally focused on building the business through organic growth, with licence applications, seismic and drilling. In October 2012, the Group was awarded six new licences in the UKCS 27th Licensing Round, covering 25 blocks across the Central North Sea, West of Shetlands and West of Scotland, all with Parkmead as operator.

January 2013

Raised **£15.925 million** of FINANCE through an oversubscribed placing, providing Parkmead with considerable firepower to fund future growth.

Approved as OPERATOR of the NEW LICENCES awarded in the UKCS 27th Licensing Round, covering **25 blocks**.

May 2013

Announced the RECOMMENDED OFFER for **Lochard Energy Group PLC** by way of a Scheme of Arrangement.

July 2013

Completed the ACQUISITION of Lochard Energy Group PLC, providing Parkmead with a significant **increase in production**, revenue and cash flow.

October 2013

DRILLING commenced on the large **Pharos gas prospect**.

This was an outstanding result for our Company, ranking Parkmead in the top tier of awardees in the Licensing Round. Parkmead's operatorship of all of the new licences awarded to the Group confirms the industrial credibility and reputation of the Parkmead geotechnical team. The licence awards were finalised in January 2013 and we have already initiated various work programmes across a number of the blocks. The Group has also applied for certain licences in the 27th Round within the UK Southern Gas Basin. These are yet to be awarded by the UK government due to their location close to, or in, certain Special Areas of Conservation (SACs) and Special Protection Areas (SPAs).

In August 2012, the Group was delighted to announce very positive drilling results from the Platypus appraisal well in the UK Southern North Sea. A horizontal well was successfully completed and flow tested at 27 million cubic feet of gas per day. Parkmead is working closely with its partners on the Platypus gas field to fast-track the development programme, with a draft Field Development Plan (FDP) expected to be submitted in due course. As we move into 2014, the Group has an active work programme across its portfolio of assets, with the aim of adding further shareholder value to each project. Our oil and gas team will continue to utilise its detailed technical knowledge of certain proven and frontier areas to identify and acquire assets, including participation in further UK and international licensing rounds.

The three aforementioned acquisitions, alongside Parkmead's 27th Licensing Round awards, have provided the Group with a strong and balanced portfolio across the asset life cycle.

Results

The Group's revenue has increased significantly in 2013 to £4.1m (2012: £2.9m). This increase in revenue was driven by gas production from Parkmead's Netherlands portfolio, demonstrating the value of these assets at this early stage in the Company's growth. Administrative expenses were £7.7m (2012: £5.5m). The Group's operating loss for the year was £5.1m (2012: £4.7m). The loss after tax was £5.6m (2012: £4.9m). Total comprehensive loss for the year was £6.9m (2012: £5.1m).

Parkmead's total assets have more than doubled to £53.4m (2012: £22.9m). This was as a result of the acquisition of DEO Petroleum plc and a portfolio of Netherlands assets from Dyas B.V. Available-for-sale financial assets were £4.4m (2012: £6.5m). Cash and cash equivalents increased considerably to £13.3m (2012: £7.7m). The total current liabilities were £11.1m (2012: £4.2m).

The Group's net asset value more than trebled to £37.3m (2012: £12.3m). In August 2012, Parkmead 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 this deal 86,219,860 ordinary shares were admitted for trading.

In January 2013, the Group raised approximately £15.925 million (gross) through a successful, oversubscribed placing of 130m new ordinary shares at 12.25 pence per share, providing Parkmead with considerable financial firepower for further growth. In addition, 27.8m new ordinary shares were issued to T P Cross (and entities affiliated to him) at the placing price, pursuant to the conversion of £3.4 million of loans drawn down by the Company from T P Cross (and entities affiliated to him). Some 1,744,908 new ordinary shares were issued on the exercise of options, bringing the Group's total ordinary shares in issue to 921,139,016 (2012: 675,419,147).

Subsequent to its 30 June year-end, the Group completed the acquisition of Lochard. Like DEO, this acquisition was also completed by way of a court sanctioned Scheme of Arrangement and offered Lochard shareholders 0.385 Parkmead shares for every Lochard share held. Following this acquisition 115,063,262 ordinary shares were admitted for trading and the Group's total ordinary shares in issue increased to 1,036,202,278.

As at 30 June 2013 Parkmead had drawn £2.0m of its shareholder loan facility following the debt for equity conversion. Due to Parkmead's ongoing growth and investment programme, the Board is not recommending the payment of a dividend in 2013 (2012: nil).

Investments

The Group's principal investment is shares held in Faroe Petroleum plc ("Faroe") (LSE AIM: FPM.L). As at 30 June 2013, the value of this investment was £4.4m (30 June 2012: £6.5m). 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 148p to 113p over the 12 months to 30 June 2013. Faroe reported a significant boost to production and revenue, together with a number of new licence awards across the UK and Norway. However, after two unsuccessful drilling results in quick succession, targeting the North Uist prospect in the UK West of Shetlands and the Darwin prospect in Norway, the share price decreased to 113p at 30 June 2013. We remain of the view that Faroe has long-term upside with an ongoing drilling programme and a broad portfolio of exploration licences.

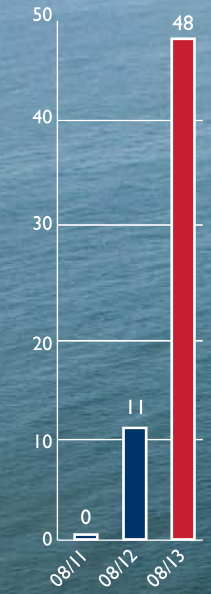
Outlook

The Directors of Parkmead are delighted with the major progress the Group has made this year in building an exciting independent oil and gas company of increasing scale. With a balanced asset base and the completion of the acquisition of Lochard in July 2013, we believe Parkmead has built considerable momentum over the last twelve months. In addition, we are pleased by our substantial award in the UKCS 27th Licensing Round, with Parkmead elected as operator of all the 25 blocks awarded to the Company. We also look forward to the results of the Pharos exploration well which is currently in progress.

As we advance towards 2014 and beyond, our team maintains its appetite for acquisitions and will seek to add shareholder value through a dynamic work programme. The Group has built a strong platform from which to become a key E&P player in the North Sea, and we look forward to updating shareholders as we make further progress.

Tom Cross
Executive Chairman
14 November 2013

Major transformation in just two years

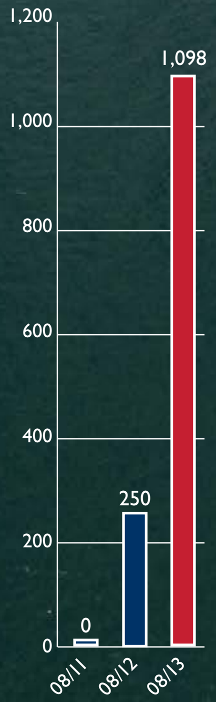


Blocks under licence

Parkmead now has 48 blocks under licence, following the award of 25 blocks in the UKCS 27th Licensing Round.

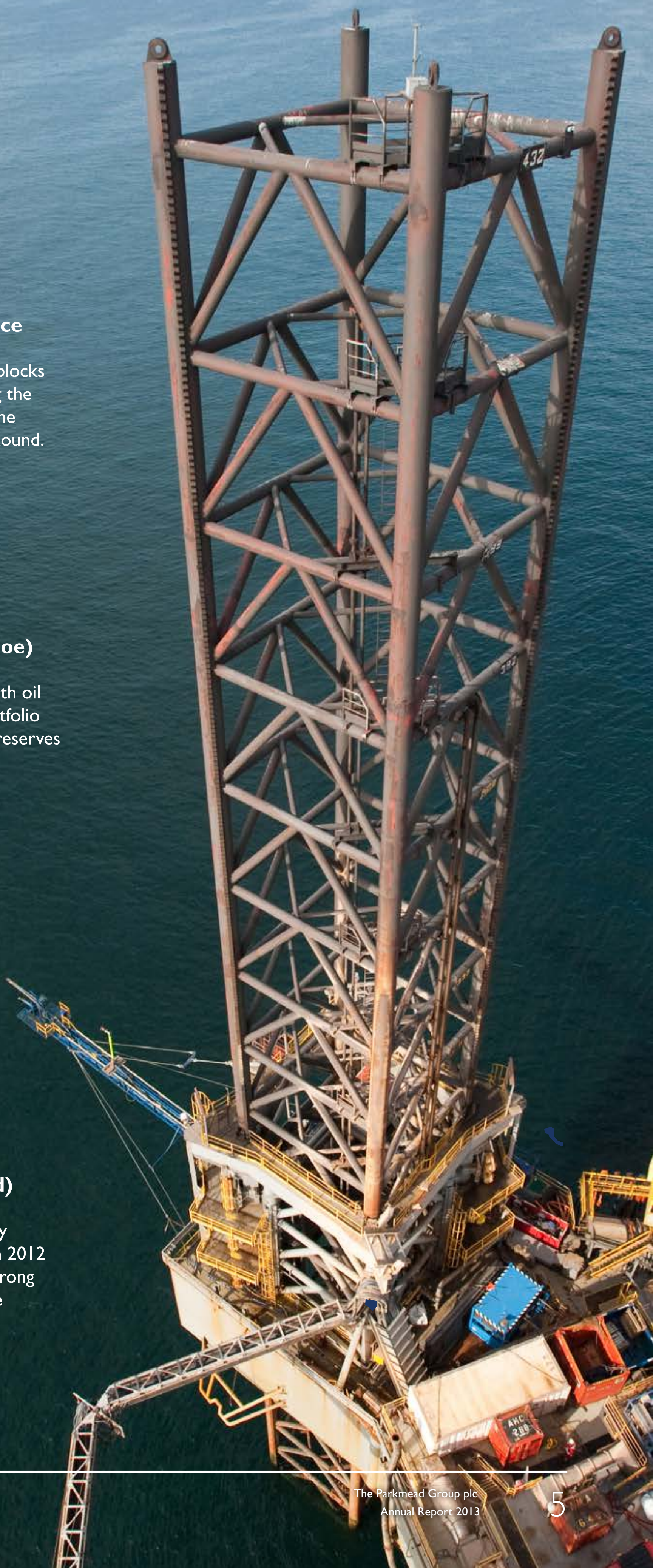
2P reserves (mmboe)

The addition of the Perth oil field to Parkmead's portfolio increased the Group's reserves by 21.5 mmbbls.



Production (boepd)

Production increased by over 400 per cent from 2012 to 1,098 boepd, with strong oil production from the Athena field.



* Figures stated as at 7th August each year

Significant increase in production

During August 2012, Parkmead completed the two significant acquisitions of DEO Petroleum plc and a portfolio of producing Netherlands assets. In addition, Parkmead announced the recommended offer for Lochard Energy Group PLC in May 2013. This acquisition was completed via a Scheme of Arrangement under Part 26 of the Companies Act 2006 in July 2013. Consequently, Parkmead now holds a 10% working interest in the producing Athena oil field in the Outer Moray Firth area of the UK North Sea.

Athena is located in licence P.1293 (Block 14/18b), 18km west of the Claymore field and just over 30km west of the Parkmead operated Perth development. Athena was brought onstream in May 2012 via four production wells and one water injection well. These wells are tied back to a floating production, storage and offloading (FPSO) vessel, the BW Athena, which is moored over the field. Crude oil production is transported from the FPSO by shuttle tankers directly to the Nigg Oil Terminal for sale to the market. Gross production at Athena averaged approximately 10,000 barrels of oil per day in Q1 2013. Parkmead is working alongside the field operator, analysing options in order to maximise oil recovery from the field, thus increasing shareholder value from the acquisition of Lochard.

Parkmead's Athena interest provides an excellent complement to the Group's four producing gas fields in the Netherlands: Geesbrug; Grolloo; Brakel; and Wijk en Aalburg. The acquisition of these assets 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 now being accelerated working with the new operator of these assets, Vermilion Energy Inc.

Parkmead has made good progress as operator of the Perth oil development, following the acquisition of DEO Petroleum plc. A study is currently being conducted to assess the potential of a joint development of Perth with the Lowlander oil discovery. Lowlander is located only 16km north west of Perth in Block 14/20c. Faroe Petroleum, one of Parkmead's partners in Perth, announced in February 2013 that it had acquired a 50% working interest in UK Licence P. 324 containing the Lowlander oil discovery. A joint development would add significant further value to the Greater Perth Area. Parkmead continues to work closely with its Perth partners to maximise oil production, recovery and financial returns from the Greater Perth Area. The joint development study is expected to conclude by the end of 2013.

At the Platypus gas field, which was successfully appraised in 2012, Parkmead is working with its partners to move ahead with the project and a draft FDP is expected to be submitted in 2014 as part of a fast-tracked development programme. The Possum gas prospect, adjacent to Platypus, targeting a further 100 billion cubic feet of gas-in-place, will now be drilled as part of the accelerated development programme. This revised development concept has saved several million pounds of net capital expenditure this year, which will now be utilised to advance other areas across the portfolio.

Athena

gross production averaged approximately

10,000

bopd in Q1 2013*

*Transaction completed in July 2013
Parkmead holds a 10% interest in the Athena Field

Adding reserves via acquisition and the drill bit

2013 has seen further expansion of Parkmead's exploration portfolio. The successful UKCS 27th Licensing Round awards provided Parkmead with a large number of exploration blocks in which the team can increase shareholder value through organic growth by shooting seismic, drilling and adding reserves. Since the awards were finalised in January 2013, a number of planned activities on the blocks have begun, including obtaining 2D and 3D seismic data, seismic reprocessing and detailed mapping to mature the already identified prospects and leads. We are particularly excited by the quality of prospects mapped in the West of Shetland area and the Skerryvore prospect in the Central North Sea.

Parkmead has also been highly active in its Southern Gas Basin portfolio during the year, with the successful Platypus appraisal well and also the spudding of an exploration well in September 2013 targeting the large Pharos gas prospect. Platypus has proved an excellent example of shareholder value creation. Parkmead acquired Platypus as a proven gas field that was previously discovered by the team in 2010 and it was successfully appraised in August 2012, with a flow rate of 27 million cubic feet per day. Platypus is now expected to move into the development phase of the asset life cycle, with a fast-track programme being planned.

The Group also acquired interests in operated exploration licences in the North Sea through the acquisition of Lochard Energy Group PLC. Licences are being taken forward covering Blocks 9/17b & 9/22b and 3/5 & 3/10c. This takes Parkmead's total number of blocks under licence to 48, with 34 of these operated by Parkmead, firmly establishing the Group as a significant explorer in the UK North Sea.

The considerable expansion of our portfolio over the last two years has enabled our team to use its technical and commercial capabilities on a number of assets, spread across the UK and Netherlands. As we move forward, the team will seek to develop our exploration assets, and add new acreage to the portfolio with the core objective of creating medium to long-term shareholder value.

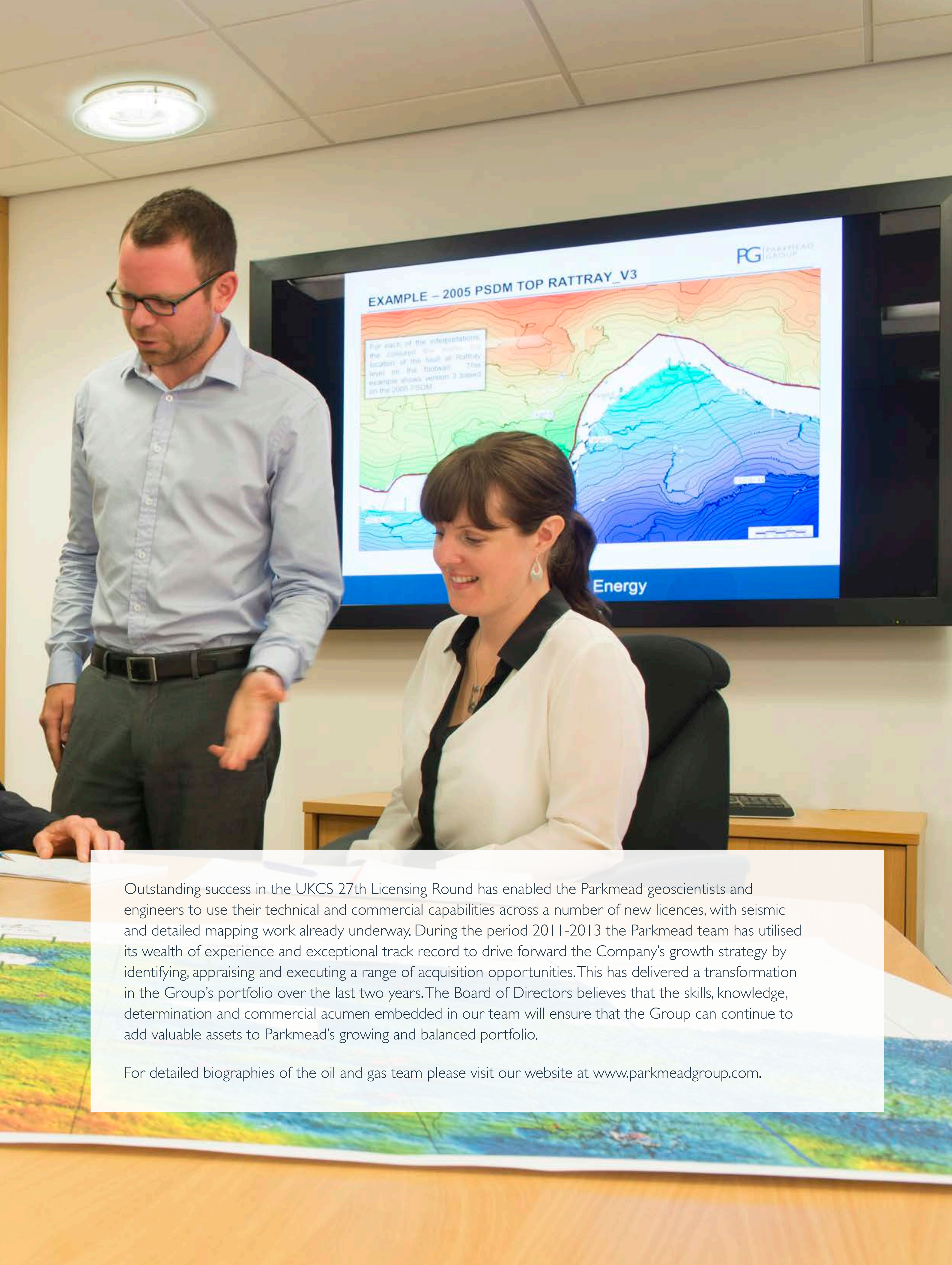
Dr Colin Percival
Technical Director

Growing and balanced portfolio

Production, appraisal and exploration assets at 31 October 2013

Licence	Block Designation	Field/ Discovery	Prospect/ Opportunity	Operator	Parkmead Equity %	Co-Venturer(s)
UK West of Shetland						
P. 2069	205/12		Davaar	Parkmead	30.00	Atlantic 30%, Summit 26%, Dyas 14%
P. 1933	205/23, 24, 25, 28, 29, 30	Bombardier	Eddystone	Parkmead	43.00	Atlantic 43%, Dyas 14%
UK West of Scotland						
P. 1966	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		Parkmead	52.03	Faroe 34.62%, Atlantic 13.35%
	15/21a South Area	Dolphin/Sigma		Parkmead	52.03	Faroe 34.62%, Atlantic 13.35%
	15/21a Gamma Sub Area		Gamma Spaniards	Premier Oil	12.62	Premier Oil 28%, Cairn 21%, Serica 21%, Faroe 8.4%, Maersk 5.74%, Atlantic 3.24%
	15/21f			Parkmead	52.03	Faroe 34.62%, Atlantic 13.35%
P. 588	15/21c	Perth		Parkmead	52.03	Faroe 34.62%, Atlantic 13.35%
	15/21b	Residual		Parkmead	52.03	Faroe 34.62%, Atlantic 13.35%
P. 1655	15/21g		Gamma Spaniards	Premier Oil	12.63	Premier Oil 28%, Cairn 21%, Serica 21%, Faroe 8.4%, Maersk 5.74%, Atlantic 3.24%
P. 1293	14/18b	Athena		Ithaca	10.00	Ithaca 22.5%, EWE 20%, Dyas 17.5%, Spike 15%, Trap 15%
P. 1861	3/5 & 3/10c			Parkmead	50.00	Strike 40%, Aimwell 10%
P. 1863	9/17b & 9/22b			Parkmead	90.00	Aimwell 10%
P. 1993	15/16e		Birnam, Kinross	Parkmead	34.00	Atlantic 33%, Faroe 33%
P. 1957	29/27, 28 & 37/3, 4		Ardnamurchan	Parkmead	70.00	CalEnergy 30%
P. 2082	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%, CalEnergy 15%, First Oil Expro 11%
P. 1566	47/4d, 47/5d		Pharos	Dana	20.00	Dana 50%, Dyas 15%, MPX 15%
P. 1594	48/1c		Possum	Dana	15.00	Dana 59%, CalEnergy 15%, First Oil Expro 11%
P. 1742	47/10c, 48/6c	47/10-8	Blackadder	Dana	20.00	Dana 50%, Dyas 30%
Netherlands Onshore						
Andel V		Brakel Ottoland Wijk en Aalburg		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Drenthe III		Geesbrug		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Drenthe III			Diever West	Vermilion Energy	7.50	EBN 40%, NAM 30%, Vermilion Energy 22.5%
Drenthe IV		Grollo		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Papekop		Papekop		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%

Proven oil and gas team focused on growth



Outstanding success in the UKCS 27th Licensing Round has enabled the Parkmead geoscientists and engineers to use their technical and commercial capabilities across a number of new licences, with seismic and detailed mapping work already underway. During the period 2011-2013 the Parkmead team has utilised its wealth of experience and exceptional track record to drive forward the Company's growth strategy by identifying, appraising and executing a range of acquisition opportunities. This has delivered a transformation in the Group's portfolio over the last two years. The Board of Directors believes that the skills, knowledge, determination and commercial acumen embedded in our team will ensure that the Group can continue to add valuable assets to Parkmead's growing and balanced portfolio.

For detailed biographies of the oil and gas team please visit our website at 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 more than 20 countries. Tom was the founder and Chief Executive of Dana Petroleum plc through until its sale to the Korea National Oil Corporation in 2010. Prior to Dana, he held senior positions with Conoco, Thomson North Sea, Louisiana Land and Exploration and was Director of Engineering at the UK Petroleum Science and Technology Institute. Tom is a former Chairman of BRINDEX, the Association of British Independent Oil Companies, a former adviser to the BBC on energy affairs and a Fellow of the Institute of Directors.

Ryan Stroulger
Finance Director

Ryan served as Commercial Director of the Group before becoming Finance Director. He has been responsible for identifying and driving forward numerous asset and corporate opportunities, such as the acquisitions of DEO Petroleum plc and Lochard Energy Group PLC. Prior to this, he served as Group Finance Manager, responsible for all aspects of Parkmead's external financing, from strategic planning through to successful execution. Ryan has been a key member of the Parkmead Group management team over recent years. He began his career as a financial analyst working on oil and gas projects in the UK, Dutch and Norwegian sectors of the North Sea, in addition to numerous ventures across onshore and offshore Africa.

Dr Colin Percival
Technical Director

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

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 2013.

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 £5.6 million (2012: £4.9 million). The Directors do not recommend the payment of a final dividend (2012: £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 2 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	
R A Strougler	appointed 7 December 2012
C J Percival	appointed 19 December 2012
P J Dayer	
D I Rawlinson	
D A MacKay	resigned 28 March 2013

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 16 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 market price of hydrocarbon products is volatile and when the price of hydrocarbon products drops significantly, or the fiscal regime changes materially for the worse, the economic prospects of the projects in which the Company has an interest can be significantly reduced or rendered uneconomic.

The Group is exposed to US Dollar to Sterling and Euro to Sterling exchange rate risk, due to significant portions of its revenues being received in US Dollars and Euros, 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 Petroleum plc in which it has a 1.8% shareholding.

Directors' report

continued

Financial risk management policies

Further details of the Group's financial risk management policies are set out in Note 27 to the financial statements.

Charitable and political donations

The Group made charitable donations of £2,500 during the year (2012: £6,000). The Group made no political donations during the year (2012: £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 2013 were 42 days (2012: 33 days) for the Company.

Share capital

At 30 June 2013 the total issued ordinary share capital was 921,139,016 shares of 0.1 pence each. All of the Company's ordinary shares are fully paid up and quoted on AIM. The rights and obligations attaching to the Company's ordinary shares as well as the powers of the Company's Directors are set out in the Company's articles of association, copies of which can be obtained from the Company website (www.parkmeadgroup.com), Companies House, or by writing to the Company Secretary. There are no restrictions on the voting rights attaching to or the transfer of the Company's issued ordinary shares.

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

Significant shareholdings

The Company has been advised of the following significant shareholdings as at 30 October 2013:

	No. of Ordinary Shares Held	% of Ordinary Shares
T P Cross & Affiliates	250,011,716	24.13%
Henderson Global Investors	61,899,390	5.97%
D Rose	45,884,188	4.43%
Fidelity Investments	35,002,387	3.38%

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 UK Corporate Governance Code, ("the Code"). 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 2013.

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 nineteen occasions. As at the year end the Board was composed of five Directors – three 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 I Rawlinson is due for re-appointment. Any Director appointed by the Board during the year must stand for re-appointment at the next AGM. R A Stroulger and C J Percival were appointed as Directors on 7 December 2012 and 19 December 2012 respectively and therefore are due for re-appointment this year.

Committees and auditors

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. R A Stroulger attends by invitation. In the year ended 30 June 2013 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 auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors. To ensure auditor objectivity and independence there is a process in place to approve any non-audit work at each audit committee meeting.

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 2013 the Remuneration Committee met on two occasions, 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 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, A Bissett.

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 gave due 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.

Directors' report

continued

Health, safety, and the environment

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

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

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 16 December 2013. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2013
- to re-appoint Directors who, in accordance with the articles of association of the Company, have retired by rotation
- to re-appoint Directors appointed during the year, who have offered themselves for re-appointment
- 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
- approving the consolidation of share capital of the Company

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

Ryan Stroulger
Finance Director
14 November 2013

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 2013 which comprise the Group Statement of Profit or Loss, the Group and Parent Company Statements of Profit or Loss and other 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 35. 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 Financial Reporting Council's (FRC'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 FRC'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 2013 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
14 November 2013

Group statement of profit or loss

for the year ended 30 June 2013

	Notes	2013 £	2012 £
Continuing operations			
Revenue	3	**4,069,916**	2,948,901
Cost of sales		**(2,455,287)**	(1,435,994)
Gross profit		**1,614,629**	1,512,907
Exploration and evaluation expenses		**(274,745)**	(685,621)
Administrative expenses		**(7,655,620)**	(5,531,847)
Gain on bargain purchase	17	**1,215,976**	–
Operating loss	4	**(5,099,760)**	(4,704,561)
Finance income	9	**36,437**	11,484
Finance costs	10	**(175,313)**	(222,737)
Loss on sale of available-for-sale financial assets	11	**(43,039)**	–
Loss before taxation		**(5,281,675)**	(4,915,814)
Taxation	12	**(303,006)**	4,225
Loss for the year attributable to the equity holders of the Parent		**(5,584,681)**	(4,911,589)
Loss per share (pence)			
Continuing operations Basic and diluted	13	**(0.68)**	(0.78)

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

for the year ended 30 June 2013

		Group		Company	
	Note	**2013** **£**	2012 £	**2013** **£**	2012 £
Loss for the year		**(5,584,681)**	(4,911,589)	**(7,313,781)**	(5,037,678)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gains arising on repayment of employee share based loans	26	**–**	369,012	**–**	369,012
		–	369,012	**–**	369,012
Items that may be reclassified subsequently to profit or loss					
Fair value loss on available–for–sale financial assets		**(1,306,067)**	(590,900)	**(1,304,957)**	(590,900)
		(1,306,067)	(590,900)	**(1,304,957)**	(590,900)
Income tax relating to components of other comprehensive income		**–**	–	**–**	–
Other comprehensive loss for the year, net of tax		**(1,306,067)**	(221,888)	**(1,304,957)**	(221,888)
Total comprehensive loss for the year attributable to the equity holders of the Parent		**(6,890,748)**	(5,133,477)	**(8,618,738)**	(5,259,566)

Group and company statement of financial position

as at 30 June 2013

	Notes	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Non-current assets					
Property, plant and equipment: development & production	14	**3,600,834**	–	**–**	–
Property, plant and equipment: other	14	**170,313**	248,137	**141,487**	200,385
Goodwill	15	**2,173,532**	2,173,532	**–**	–
Other intangible assets	15	**11,399**	25,170	**–**	–
Exploration and evaluation assets	15	**25,789,601**	3,063,502	**–**	–
Investment in subsidiary and joint ventures	16	**–**	–	**16,639,471**	3,931,404
Available-for-sale financial assets	18	**4,393,752**	6,456,132	**4,393,506**	6,456,132
Total non-current assets		**36,139,431**	11,966,473	**21,174,464**	10,587,921
Current assets					
Trade and other receivables	19	**3,972,006**	3,253,846	**14,240,573**	3,436,953
Cash and cash equivalents	20	**13,268,650**	7,694,141	**12,749,450**	7,666,393
Total current assets		**17,240,656**	10,947,987	**26,990,023**	11,103,346
Total assets		**53,380,087**	22,914,460	**48,164,487**	21,691,267
Current liabilities					
Trade and other payables	21	**(8,671,513)**	(4,085,963)	**(7,733,328)**	(2,983,985)
Interest-bearing loans and borrowings	22	**(2,000,000)**	–	**(2,000,000)**	–
Current tax liabilities		**(307,950)**	(4,293)	**–**	(4,293)
Other provisions	24	**(140,647)**	(122,105)	**(73,517)**	(76,001)
Total current liabilities		**(11,120,110)**	(4,212,361)	**(9,806,845)**	(3,064,279)
Non-current liabilities					
Interest-bearing loans and borrowings	22	**–**	(2,981,819)	**–**	(2,981,819)
Other liabilities	21	**(2,812,371)**	(3,452,069)	**(2,812,371)**	(3,452,069)
Deferred tax liabilities	23	**(1,592,675)**	(5,710)	**–**	–
Decommissioning provisions	25	**(512,269)**	–	**–**	–
Total non-current liabilities		**(4,917,315)**	(6,439,598)	**(2,812,371)**	(6,433,888)
Total liabilities		**(16,037,425)**	(10,651,959)	**(12,619,216)**	(9,498,167)
Net assets		**37,342,662**	12,262,501	**35,545,271**	12,193,100
Equity attributable to equity holders					
Called up share capital	28	**18,969,886**	18,724,166	**18,969,886**	18,724,166
Share premium		**30,447,657**	11,619,452	**30,447,657**	11,619,452
Merger reserve		**12,631,209**	–	**12,631,209**	–
Revaluation reserve		**(1,632,287)**	(326,220)	**(1,631,177)**	(326,220)
Retained deficit		**(23,073,803)**	(17,754,897)	**(24,872,304)**	(17,824,298)
Total Equity		**37,342,662**	12,262,501	**35,545,271**	12,193,100

The financial statements on pages 13 to 60 were approved by the Board of Directors on 14 November 2013 and signed on its behalf by:

Thomas Cross
Director

Ryan Stroulger
Director

Group statement of changes in equity

for the year ended 30 June 2013

	Share capital £	Share premium £	Merger reserve £	Revaluation reserve £	Retained earnings £	Total £
At 1 July 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 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
Loss for the year	**–**	**–**	**–**	**–**	**(5,584,681)**	**(5,584,681)**
Fair value loss on available-for-sale financial assets	**–**	**–**	**–**	**(1,306,067)**	**–**	**(1,306,067)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,306,067)**	**(5,584,681)**	**(6,890,748)**
Issue of new ordinary shares	**159,500**	**18,828,205**	**–**	**–**	**–**	**18,987,705**
Issue of new ordinary shares on acquisition of subsidiary	**86,220**	**–**	**12,631,209**	**–**	**–**	**12,717,429**
Share-based payments	**–**	**–**	**–**	**–**	**265,775**	**265,775**
At 30 June 2013	**18,969,886**	**30,447,657**	**12,631,209**	**(1,632,287)**	**(23,073,803)**	**37,342,662**

Company statement of changes in equity

for the year ended 30 June 2013

	Share capital £	Share premium £	Merger reserve £	Revaluation reserve £	Retained earnings £	Total £
At 1 July 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)
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 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
Loss for the year	**–**	**–**	**–**	**–**	**(7,313,781)**	**(7,313,781)**
Fair value loss on available-for-sale financial assets	**–**	**–**	**–**	**(1,304,957)**	**–**	**(1,304,957)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,304,957)**	**(7,313,781)**	**(8,618,738)**
Issue of new ordinary shares	**159,500**	**18,828,205**	**–**	**–**	**–**	**18,987,705**
Issue of new ordinary shares on acquisition of subsidiary	**86,220**	**–**	**12,631,209**	**–**	**–**	**12,717,429**
Share-based payments	**–**	**–**	**–**	**–**	**265,775**	**265,775**
At 30 June 2013	**18,969,886**	**30,447,657**	**12,631,209**	**(1,631,177)**	**(24,872,304)**	**35,545,271**

Group and company statement of cashflows

for the year ended 30 June 2013

		Group		Company	
	Notes	2013 £	2012 £	2013 £	2012 £
Cashflows from operating activities					
Continuing activities	31	**(4,693,973)**	(2,331,370)	**(13,450,727)**	(4,913,093)
Taxation paid		**(4,293)**	6,304	**(4,293)**	4,293
Net cash used in operating activities		**(4,698,266)**	(2,325,066)	**(13,455,020)**	(4,908,800)
Cash flow from investing activities					
Interest received		**36,437**	11,485	**35,776**	11,260
Repayment of employee share based loans		**–**	369,012	**–**	369,012
Acquisition of subsidiary, net of cash		**303,728**	–	**–**	–
Acquisition of exploration and evaluation assets		**(5,184,849)**	(3,063,502)	**–**	–
Proceeds from sale of available-for-sale financial assets		**714,632**	16,985	**714,632**	16,985
Acquisition of property, plant and equipment: development and production		**(3,382,082)**	–	**–**	–
Acquisition of property, plant and equipment: other		**(92,872)**	(189,986)	**(90,112)**	(172,618)
Proceeds from sale of property, plant and equipment		**–**	1,250	**–**	1,250
Net cash generated by/(used in) investing activities		**(7,605,006)**	(2,854,756)	**660,296**	225,889
Cash flow from financing activities					
Issue of ordinary shares	28	**15,587,706**	8,777,283	**15,587,706**	8,777,283
Interest paid		**(128,106)**	(159,337)	**(128,106)**	(159,337)
Proceeds from loans and borrowings	33	**2,418,181**	2,981,819	**2,418,181**	2,981,819
Net cash generated by financing activities		**17,877,781**	11,599,765	**17,877,781**	11,599,765
Net increase in cash and cash equivalents		**5,574,509**	6,419,943	**5,083,057**	6,916,854
Cash and cash equivalents at beginning of year		**7,694,141**	1,274,198	**7,666,393**	749,539
Cash and cash equivalents at end of year		**13,268,650**	7,694,141	**12,749,450**	7,666,393

Notes to the financial statements

1 Corporate information

The consolidated financial statements of the Group for the year ended 30 June 2013 were authorised for issue by the Board of Directors on 14 November 2013 and the Statement of Financial Position was signed on the Board's behalf by T P Cross and R A Stroulger. The Group is a public limited company incorporated in England & Wales 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 6 St Andrew Street, London, EC4A 3AE.

2 Accounting policies

Basis of preparation of the financial statements

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

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

The consolidated 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 2013.

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

Subsidiaries

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

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

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Consideration, including deferred consideration, is measured at fair value on the date of acquisition or disposal. Deferred consideration is re-measured, where appropriate, at each year end date to reflect the anticipated amount due.

Joint ventures

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures and production sharing contracts ("Joint Ventures"). The Group accounts for its share of the results and net assets of these Joint Ventures as jointly controlled assets based on its percentage ownership of these Joint Ventures. In addition, where the Group acts as operator to the Joint Venture, the gross liabilities and receivables (including amounts due to and from non-operating partners) of the Joint Venture are included in the Group statement of financial position. A complete list of the Group's Joint Ventures accounted for as jointly controlled assets is provided in note 35.

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.

Revenues associated with the sale of oil, natural gas, natural gas liquids, liquefied natural gas, petroleum and chemicals products and all other items are recognised when the title has passed, or has deemed to have passed to the customer, in accordance with the commercial terms of each contract.

Generally, revenues from the production of oil and natural gas properties in which the Group has an interest with joint venture partners are recognised on the basis of the Group's working interest in those properties. Differences between the production sold and the Group's share of production are recognised within cost of sales at market value.

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

E&E costs are not amortised prior to the conclusion of appraisal activities. Once active exploration is completed the asset is assessed for impairment. If commercial reserves are discovered then the carrying value of the E&E asset is reclassified as a development and production ("D&P") asset, following development sanction, but only after the carrying value is assessed for impairment and where appropriate its carrying value adjusted. If commercial reserves are not discovered the E&E asset is written off to the statement of profit or loss.

Impairment

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

Oil and gas expenditure – production and development assets

Capitalisation

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

Depreciation

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

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

- recoverable reserves; and
- future capital expenditure

Impairment

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

The future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a post-tax discount rate. The discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located, although other rates may be used if appropriate to the specific circumstances. In 2013 the rate used was 8% nominal (2012: 8% nominal). The discount rates applied in assessments of impairment are reassessed each year.

See note 14 for the carrying value of oil and gas assets.

Key assumptions used in the value-in-use calculations

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

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

Production volumes/recoverable reserves

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

Notes to the financial statements
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Commodity prices
An average of published forward prices and the long term assumption for natural gas and Brent oil are used for the first three years of future cash flow and an inflated real price thereafter, in accordance with the Company's corporate assumptions. Field specific discounts and prices are used where applicable.

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

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

Discount rates
Discount rates reflect the current market assessment of the risks specific to the oil and gas sector and are based on the weighted average cost of capital for the Group. Where appropriate, the rates are adjusted to reflect the market assessment of any risk specific to the field for which future estimated cash flows have not been adjusted. The Group has applied a post-tax discount rate of 8% for the current year (2012: 8%).

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

Having reviewed these assumptions, there is no significant impairment exposure.

Oil & gas expenditure – acquisitions and disposals
Commercial transactions involving the acquisition of a D&P asset in exchange for an E&E or D&P asset are accounted for at fair value with the difference between the fair value and cost being recognised in the statement of profit or loss as a gain or loss. When a commercial transaction involves a D&P asset and takes the form of a farm-in or farm-out agreement, the premium expected to be paid/received is treated as part of the consideration.

Fair value calculations are not carried out for commercial transactions involving the exchange of E&E assets. The capitalised costs of the disposed asset are transferred to the acquired asset. Farm-in and farm-out transactions of E&E assets are accounted for at cost. Costs are capitalised according to the Group's cost interest (net of premium received or paid) as costs are incurred.

Proceeds from the disposal of an E&E asset, or part of an E&E asset, are deducted from the capitalised costs and the difference recognised in the statement of profit or loss as a gain or loss. Proceeds from the disposal of a D&P asset, or part of a D&P asset, are recognised in the statement of profit or loss, after deducting the related net book value of the asset.

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

The key areas of estimation regarding decommissioning are:

- expected economic life of field, determined by factors such as:
  – field reserves and future production profiles
  – commodity prices
- inflation rate 2.5%;
- discount rate 8%; and
- decommissioning cost estimates (and the basis for these estimates)

See note 25 in respect of decommissioning obligations.

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 statement of profit or loss.

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 statement of profit or loss, 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 statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

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

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

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

Pensions

The Company 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 statement of profit or loss as accrued.

Share based payments

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

Equity-settled transactions

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

Incentives are provided to employees under an unapproved share option scheme and 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 statement of profit or loss.

Cash-settled transactions

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

Employee Benefit Trust

The Company 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 statement of profit or loss.

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 statement of profit or loss.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. Development costs and contract and customer relations are amortised over the period of expected future sales from the related projects and contracts on a straight line basis.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

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

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

Research and development costs

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

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

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

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

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

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

Financial assets

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 statement of profit or loss.

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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 statement of profit or loss 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 statement of profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss 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 asset 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 statement of profit or loss.

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss on a straight line basis over the lease term.

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

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

Share capital
Ordinary shares are classified as equity.

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

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

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

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

- Oil and Gas: Intangible Exploration Assets – Impairment
- Oil and Gas: Development and Production Assets – Depreciation and Impairment
- Oil and Gas: Decommissioning Provisions
- Employee Benefits: Share Based Payments
- 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 2013 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities:

- IAS 1 (Amendment) Presentation of Financial Statements effective 1 July 2012

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 2013
- IAS 27 (revised) Separate Financial Statements effective 1 January 2014
- IAS 28 (revised) Investments in Associates and Joint Ventures effective 1 January 2014
- IFRS 7 (amendment) Disclosures - Offsetting Financial Assets and Liabilities effective 1 January 2013
- IFRS 10 Consolidated Financial Statements effective 1 January 2014
- IFRS 11 Joint Arrangements effective 1 January 2014
- IFRS 12 Disclosures of Interest in Other Entities effective 1 January 2014
- IFRS 13 Fair Value Measurement effective 1 January 2013
- IAS 19 (amendment) Employee Benefits 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

Notes to the financial statements
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3 Revenue

	2013 £	2012 £
An analysis of the Group's revenue is as follows:		
Gas sales	**2,085,987**	–
Condensate sales	**81,417**	–
Rendering of services	**1,902,512**	2,948,901
Total revenue	**4,069,916**	2,948,901

4 Operating loss

	2013 £	2012 £
The operating loss is stated after charging/(crediting):		
Pre-award exploration expenditure	**274,745**	685,621
Depreciation of property, plant and equipment	**369,762**	70,406
Amortisation of other intangible assets	**33,521**	18,487
Provision for employers taxes on share options (Note 24)	**18,542**	(215,984)
Operating lease rentals: other	**269,093**	158,449
Gain on disposal of property, plant and equipment	**–**	(1,250)
Expenses for share placing costs	**–**	162,173
Expenses for business combination	**251,031**	–
Expenses for proposed business combination	**82,106**	50,000

5 Auditors' remuneration

	2013 £	2012 £
Audit fees payable to the auditor for the audit of the Company's annual financial statements	**29,600**	25,850
Fees payable to the Company's current auditors and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	**43,400**	19,500
Other services relating to taxation	**19,500**	12,250
Other services	**9,220**	8,610
	101,720	66,210

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, supplying benchmarking services and training.

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

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

6 Operating segment information *continued*

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

Year ended 30 June 2013	Oil and Gas Exploration and Production £	Energy Economics £	Adjustments and eliminations £	Consolidated £
Revenue				
External customer	2,167,404	1,902,512	–	4,069,916
Inter-segment	44,000	–	(44,000)	–
Total revenue	2,211,404	1,902,512	(44,000)	4,069,916
Results				
Operating profit/(loss)	(5,326,920)	227,160	–	(5,099,760)
Finance income	36,269	168	–	36,437
Finance costs	(175,313)	–	–	(175,313)
Loss on available-for-sale financial assets	(43,039)	–	–	(43,039)
Segment profit/(loss)	(5,509,003)	227,328	–	(5,281,675)
Operating assets	62,648,128	5,012,677	(14,280,718)	53,380,087
Operating liabilities	(29,812,325)	(505,818)	14,280,718	(16,037,425)
Other disclosures				
Capital expenditure	26,749,309	2,760	–	26,752,069
Depreciation and amortisation	370,185	33,098	–	403,283

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 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

Notes to the financial statements
continued

6 Operating segment information *continued*

Included in revenues arising from the sale of oil and gas exploration and production are revenues of £2,085,987 (2012: £nil) which arose from the Group's largest customer. Included in revenues arising from the sale of energy economics are revenues of £527,799 (2012: £1,554,273) which arose from the Group's largest customer in this segment. These are the only customers of the Group which contribute 10% or more of the Group's revenues.

Geographic information
Revenues from external customers

	2013 £	2012 £
Europe	**2,609,079**	819,266
North America	**699,873**	369,588
Africa	**527,799**	1,554,273
Rest of the World	**233,165**	205,774
Total revenue per Group statement of profit or loss	**4,069,916**	2,948,901

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

Non-current assets

	2013 £	2012 £	2011 £
Europe	**31,745,679**	5,510,341	2,345,746
North America	**–**	–	–
Africa	**–**	–	–
Rest of the World	**–**	–	–
Total	**31,745,679**	5,510,341	2,345,746

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	2013 £	2012 £
Wages and salaries	**2,133,475**	2,008,152
Social security costs	**813,937**	448,941
Other pension costs	**136,153**	128,297
Termination costs	**22,000**	–
Charge for share based payments (Note 29)	**4,092,885**	2,556,601
	7,198,450	5,141,991

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

	2013 No.	2012 No.
Management and consultants	**28**	26
Administration	**3**	3
IT	**4**	5
	35	34

8 Directors' emoluments

Directors remuneration in aggregate comprised:

	2013 £	2012 £
Aggregate emoluments	567,905	634,735
Company pension contributions to money purchase schemes	19,712	13,000
	587,617	647,735

During the year three (2012: one) Director accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £19,712 (2012: £13,000).

No Directors exercised share options or share appreciation rights in the period (2012: none).

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

	Salary and Fees £	Benefits in Kind £	Pension £	Total 2013 £	Total 2012 £
T P Cross	290,000	1,995	–	291,995	291,655
D A MacKay	97,500	1,587	9,750	108,837	144,802
R A Stroulger	39,860	97	3,000	42,957	–
C J Percival	96,405	461	6,962	103,828	–
P J Dayer	20,000	–	–	20,000	20,000
D I Rawlinson	20,000	–	–	20,000	20,000
N P Doran	–	–	–	–	171,278
Total	563,765	4,140	19,712	587,617	647,735

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 29.

Details of outstanding SARs held by each director as at 30 June 2013:

	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
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
T P Cross	15,987,000	£0.1187	16 March 2015	16 September 2022
T P Cross	15,987,000	£0.1187	16 September 2015	16 September 2022

I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non-Executive Directors, details of which are provided in Note 29. 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.

Notes to the financial statements
continued

8 Directors' emoluments *continued*

Details of outstanding SARs held by each director as at 30 June 2012:

	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

* 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.

9 Finance income

	2013 £	2012 £
Bank interest receivable	36,437	11,484
	36,437	11,484

10 Finance costs

	2013 £	2012 £
Unwinding of discount on decommissioning provision	34,894	–
Interest payable on loans and borrowings	140,419	222,737
	175,313	222,737

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

During the year the Group sold 488,967 shares in Faroe Petroleum plc for a gross consideration of £714,632 and recognised a loss on disposal of £43,039.

12 Taxation

The major components of income tax expense for the years ended 30 June 2013 and 2012 are:

	Note	2013 £	2012 £
Current tax:			
Corporation tax at 23.75% (2012: 25.5%) based on the loss for the year		–	–
Adjustments in respect of current income tax of previous periods		–	(2,011)
Overseas current taxation		307,951	–
Deferred tax:			
Relating to origination and reversal of temporary differences	23	(4,945)	(2,214)
Income tax (credit)/expense reported in the statement of profit or loss		303,006	(4,225)

Tax has been calculated using an estimated annual effective rate of 23.75% (2012: 25.5%) on loss before tax.

12 Taxation *continued*

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

	2013 £	2012 £
Loss on ordinary activities before tax	**(5,281,675)**	(4,915,814)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.75% (2012: 25.5%)	**(1,254,398)**	(1,253,533)
Effects of:		
Adjustments in respect of current income tax of previous periods	**–**	(2,011)
Expenses not deductible for tax purposes and other permanent differences	**725,058**	738,494
Depreciation in the year in excess of capital allowances	**81,132**	5,902
Imputed interest not taxable	**8,286**	–
Unrelieved tax losses	**742,928**	506,923
Total tax (credit)/charge for the year	**303,006**	(4,225)

13 Loss per share

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

	2013	2012
Loss per 0.1p ordinary share from continuing operations (pence)		
Basic and diluted	**(0.68p)**	(0.78p)

The calculations were based on the following information:

	2013 £	2012 £
Loss attributable to ordinary shareholders		
Continuing operations	**(5,584,681)**	(4,911,589)
Total	**(5,584,681)**	(4,911,589)
Weighted average number of shares in issue		
Basic weighted average number of shares	**826,849,960**	630,738,232
Dilutive potential ordinary shares		
Share options	**24,030,792**	35,510,993

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 operations diluted loss 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
continued

14 Property, plant and equipment

Group	Development and production £	Short leasehold property £	Fixtures, fittings and computer equipment £	Total £
Cost				
At 1 July 2012	–	92,250	308,985	401,235
On acquisition of subsidiary	–	–	73,641	73,641
Additions	3,382,082	2,515	90,357	3,474,954
Abandonment asset	477,375	–	–	477,375
Disposals	–	(92,250)	(111,013)	(203,263)
At 30 June 2013	3,859,457	2,515	361,970	4,223,942
Depreciation				
At 1 July 2012	–	7,324	145,774	153,098
Depreciation charged in the year	258,623	3,235	107,904	369,762
Eliminated on disposal	–	(10,559)	(59,506)	(70,065)
At 30 June 2013	258,623	–	194,172	452,795
Net book amount				
At 30 June 2013	3,600,834	2,515	167,798	3,771,147
At 30 June 2012	–	84,926	163,211	248,137

Company	Short leasehold property £	Fixtures, fittings and computer equipment £	Total £
Cost			
At 1 July 2012	92,250	211,852	304,102
Additions	2,515	87,597	90,112
Disposals	(92,250)	(37,372)	(129,622)
At 30 June 2013	2,515	262,077	264,592
Depreciation			
At 1 July 2012	7,324	96,393	103,717
Depreciation charged in the year	3,235	62,918	66,153
Eliminated on disposal	(10,559)	(36,206)	(46,765)
At 30 June 2013	–	123,105	123,105
Net book amount			
At 30 June 2013	2,515	138,972	141,487
At 30 June 2012	84,926	115,459	200,385

14 Property, plant and equipment *continued*

The comparable table for 2012 is detailed below:

Group	Short leasehold property £	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 property £	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

15 Intangible assets

Year ended 30 June 2013	Exploration and Evaluation costs £	Other intangible assets £	Goodwill £	Total £
Cost				
At 1 July 2012	**3,063,502**	**245,797**	**2,173,532**	**5,482,831**
On acquisition of subsidiary	**17,541,250**	**19,750**	**–**	**17,561,000**
Additions	**5,184,849**	**–**	**–**	**5,184,849**
Disposal	**–**	**(19,750)**	**–**	**(19,750)**
At 30 June 2013	**25,789,601**	**245,797**	**2,173,532**	**28,208,930**
Amortisation and impairment				
At 1 July 2012	**–**	**220,627**	**–**	**220,627**
Amortisation	**–**	**33,521**	**–**	**33,521**
Disposal	**–**	**(19,750)**	**–**	**(19,750)**
At 30 June 2013	**–**	**234,398**	**–**	**234,398**
Net book amount				
At 30 June 2013	**25,789,601**	**11,399**	**2,173,532**	**27,974,532**
At 30 June 2012	3,063,502	25,170	2,173,532	5,262,204

Other intangibles include development costs and contract and customer relationships.

The comparable table for 2012 is detailed below:

	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 2011	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

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:

	2013 £	2012 £
Oil and Gas Exploration and Production	**–**	–
Energy Economics	**2,173,532**	2,173,532
	2,173,532	2,173,532

15 Intangible assets *continued*

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 25 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 tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

There are no intangible assets with indefinite lives in either CGU.

The recoverable amount of the Energy Economics CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period, and a discount rate of 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.

Cash flows have been extrapolated for a further seven years using a 2.5% annual growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Energy Economics CGU operates.

The main assumption in the cash flow projections is the budgeted revenues. This has been determined using a combination of industry forecasts, long term trend analysis and in-house estimates.

Based on these assumptions, at 30 June 2013 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £620k. 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.

16 Investment in subsidiaries and joint ventures

Company	Subsidiary and joint venture undertakings £
Cost or valuation	
At 1 July 2012	**3,931,404**
Share options awards to employees in subsidiaries	**(9,362)**
Additions	**12,717,429**
At 30 June 2013	**16,639,471**
Amortisation and impairment	
At 1 July 2012	–
At 30 June 2013	–
Net book amount	
At 30 June 2013	**16,639,471**
At 30 June 2012	3,931,404

16 Investment in subsidiaries and joint ventures *continued*

The comparable table for 2012 is detailed below:

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 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 England:			
DEO Petroleum plc	Ordinary	100%	Oil & Gas Exploration and Production
DEO Petroleum UK Limited	Ordinary	100%	Oil & Gas Exploration and Production
DEO Petroleum Exploration 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.

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

16 Investment in subsidiaries and joint ventures *continued*

	2013 £	2012 £
Current assets	–	–
Current liabilities	–	–
At 30 June	–	–
Revenue	–	–
Expenses	–	24,884
Profit/(loss) for the year	–	24,884

17 Business combinations

Acquisitions during the year

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 development assets in the 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 the first phase of the development.

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 has been 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**

A gain of £1,215,976 as a result of a bargain purchase has been recognised within the statement of profit or loss. The transaction resulted in a gain because of relative financial and management strengths of The Parkmead Group plc.

The assets and liabilities arising from the acquisition are as follows

	Acquiree's carrying amount £	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	303,728	303,728
Trade and other payables	(2,867,133)	(2,867,133)
Deferred tax liabilities	–	(1,591,910)
Net assets acquired	12,957,718	13,933,405

17 Business combinations *continued*

Cash flow on acquisition	£
Net cash acquired with the Company	303,728
Cash paid	–
Net cash inflow	303,728

The amounts recognised at the 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 the acquisition date equal the gross contractual amounts receivable.

Transaction costs of £251,031 relating to the acquisition of DEO were recognised as an expense during the year.

If the acquisition of DEO had been completed on the first day of the financial year, the Group revenues for the period would have been £4,069,916 and Group loss attributable to equity holders of the parent would have been £5,602,557.

DEO contributed £nil to the Group's revenues and a loss of £250,810 to the Group's loss before tax for the period from the date of acquisition to the year end date.

Acquisitions post year end

Acquisition of Lochard Energy Group PLC

On 26 July 2013, the Group acquired 100% of the issued share capital of Lochard Energy Group PLC ("Lochard"), a company listed on the AIM Market of the London Stock Exchange. Lochard is an independent oil and gas company with exploration and production assets in the UK.

Lochard's principal asset is its 10 per cent. interest in the producing Athena oil field. In addition, Lochard has contingent interests in three exploration licences which were awarded as part of the UKCS 26th Licensing Round.

The enlarged group will increase the Group's production by over 400 per cent. and therefore provide it with a significantly enhanced cash flow profile. The acquisition will create a stronger and more diverse portfolio of assets balanced across the UKCS and the Netherlands. The cash flow from Athena will assist the combined entity in pursuing further growth.

Further information about the acquisition is available in the Rule 2.7 Announcement issued 23 May 2013 and approved by shareholders on 25 July 2013; this document is available on the Group's website (www.parkmeadgroup.com). The acquisition has been accounted for using the purchase method of accounting.

Total consideration was made up as follows:

	2013 £
Purchase consideration	
– Cash paid	–
– Shares issued of 115,063,262 New Ordinary Shares	14,670,566
Total purchase consideration	**14,670,566**

The Group is currently performing a fair value review of Lochard's assets and liabilities and will report these within its next published financial statements.

Transaction costs of £82,106 relating to the acquisition of Lochard were recognised as an expense during the year.

18 Available-for-sale financial assets

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Fair value				
At 1 July	**6,456,132**	7,064,017	**6,456,132**	7,064,017
On acquisition of subsidiary	**1,356**	–	**–**	–
Disposals	**(757,669)**	(16,985)	**(757,669)**	(16,985)
Loss on revaluation	**(1,306,067)**	(590,900)	**(1,304,957)**	(590,900)
At 30 June	**4,393,752**	6,456,132	**4,393,506**	6,456,132

Available-for-sale financial assets comprise the following:

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Quoted equity shares				
Equity shares – UK	**4,393,752**	6,456,132	**4,393,506**	6,456,132
Unquoted equity shares				
Equity shares – UK	**–**	–	**–**	–
	4,393,752	6,456,132	**4,393,506**	6,456,132

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. The investments in unquoted equity shares have been fully impaired to £nil.

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:

	2013 £	2012 £
Pound Sterling	**4,393,752**	6,456,132
Other currencies	**–**	–
	4,393,752	6,456,132

Notes to the financial statements
continued

19 Trade and other receivables

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Current assets				
Trade receivables	**3,140,212**	2,244,140	**–**	–
Less: provision for impairment of trade receivables	**(24,200)**	(24,200)	**–**	–
Trade receivables – net	**3,116,012**	2,219,940	**–**	–
Receivables due from group companies	**–**	–	**14,057,662**	2,762,856
Other receivables	**185,751**	510,750	**34,370**	507,973
Prepayments and accrued income	**670,243**	523,156	**148,541**	166,124
	3,972,006	3,253,846	**14,240,573**	3,436,953

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, £238,669 (2012: £1,402,525) was due from the Group's largest customer. There are 2 (2012: nil) other customers who represent more than 5% of the total balance of trade receivables.

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 2013, trade receivables of £2,186,506 (2012: £3,207) were three months past due but not impaired. In July 2013 the Group received £1,415,156 from that customer for payment of amounts that were over 6 months old. The ageing analysis of these trade receivables is as follows:

	2013 £	2012 £
3 to 6 months	**–**	3,207
Over 6 months	**2,186,056**	–
	2,186,056	3,207

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

	2013 £	2012 £
At 1 July	**24,200**	1,132
Amounts written off in the year	**–**	(1,132)
Provision for receivables impairment	**–**	24,200
At 30 June	**24,200**	24,200

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

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Pound Sterling	**1,592,801**	1,651,583	**14,240,573**	3,436,953
Other currencies	**2,379,205**	1,602,263	**–**	–
	3,972,006	3,253,846	**14,240,573**	3,436,953

20 Cash and cash equivalents

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Cash at bank and in hand	**13,268,650**	7,694,141	**12,749,450**	7,666,393
	13,268,650	7,694,141	**12,749,450**	7,666,393

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

21 Trade and other payables

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Current liabilities				
Trade payables	**488,186**	932,967	**245,113**	138,799
Amounts owed to group companies	**–**	–	**105,834**	301,912
Other taxes and social security costs	**53,592**	245,239	**36,295**	219,376
Accruals and deferred income	**8,129,735**	2,907,757	**7,346,086**	2,323,898
	8,671,513	4,085,963	**7,733,328**	2,983,985

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Non-current liabilities				
Accruals and deferred income	**2,812,371**	3,452,069	**2,812,371**	3,452,069
	2,812,371	3,452,069	**2,812,371**	3,452,069

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 42 days (2012: 33 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.

Notes to the financial statements

continued

22 Interest-bearing loans and borrowings

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Current liabilities				
Other loans	2,000,000	–	2,000,000	–
	2,000,000	–	2,000,000	–
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.

In January 2013, as part of a Placing and Debt for Equity Conversion (Note 28) 27,755,101 new Ordinary Shares were issued to T P Cross (and entities affiliated to him) at the Placing Price pursuant to the conversion of £3.4 million of the loans drawn down by the Company from T P Cross (and entities affiliated to him). Following this conversion, the Company had £2,000,000 loan drawn and have £4.0 million of undrawn facility.

In October 2013 the loan facility of £2 million was renewed for a further two years with an interest rate of 3 per cent. above LIBOR, expiring in November 2015.

23 Deferred tax

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
At 1 July	5,710	7,924	–	–
Acquisition of subsidiary	1,591,910	–	–	–
Tax income recognised in the statement of profit or loss	(4,945)	(2,214)	–	–
	1,592,675	5,710	–	–

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Deferred tax liability				
Accelerated capital allowances	765	5,119	–	–
Fair value gains	1,591,910	591	–	–
	1,592,675	5,710	–	–

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 £25.5m (2012: £22.4m), unclaimed capital allowances available are £0.6m (2012: £0.5m) and the amount of capital losses available are £71.5m (2012: £71.5m) and unrealised capital losses on available-for-sale financial assets of £1.9m (2012: £1.9m).

24 Other provisions

Group	Employer's taxes on options £	Total £
At 1 July 2012	**122,105**	**122,105**
Arising during the year	**18,542**	**18,542**
At 30 June 2013	**140,647**	**140,647**

Company	Employer's taxes on options £	Total £
At 1 July 2012	**76,001**	**76,001**
Arising during the year	**(2,484)**	**(2,484)**
At 30 June 2013	**73,517**	**73,517**

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.

The comparable table for 2012 is detailed below:

Group	Employer's 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	Employer's 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

25 Decommissioning provisions

	Development and production costs £	Total £
As at 1 July 2011 and 1 July 2012	–	–
New provisions and changes in estimates	**477,375**	**477,375**
Unwinding of discount	**34,894**	**34,894**
As at 30 June 2013	**512,269**	**512,269**

The decommissioning provision of £512,269 (2012: £nil) relates to the Group's production and development facilities. The decommissioning provision is recorded at the Group's share of the decommissioning cost expected to be incurred.

These costs are expected to be incurred at various intervals over the next 29 years. The provision has been estimated using existing technology at current prices, escalated at 2.5% and discounted at a post-tax rate of 8%. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the production and development facilities. In addition, the costs of decommissioning are subject to inflationary charges in the service costs of third parties.

26 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, leaving a loan outstanding of £2,309,837. The loan was accounted as a share based payment and is not recognised in the statement of financial position. 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 2013, based on the Company's share price of 0.13p, no liability would arise and the outstanding loan of £2,309,837 would be repayable.

Under the terms of a sale and purchase agreement between Parkmead (E&P) Limited and Dyas B.V., Parkmead (E&P) Limited is liable to pay a deferred consideration of €3,000,000 upon on the first commercial sale of oil from the Papekop field development. As the decision to develop this field has yet to be taken by the joint venture partners, it is uncertain whether the deferred consideration will be paid.

27 Financial instruments and financial risk factors

Financial risk management

The Group actively monitors and manages the financial risks relating to 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 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 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 loss 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 statement of profit or loss.

Effect on equity	**2013** **£**	2012 £
Increase or decrease of 5% in equity prices	**219,688**	322,807
Increase or decrease of 25% in equity prices	**1,098,438**	1,614,033
Increase or decrease of 50% in equity prices	**2,196,876**	3,228,066

27 Financial instruments and financial risk factors *continued*

Interest rate risk

The Group and Company 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.

	2013 £	2012 £
Floating rate financial assets < 1 year	**13,268,650**	7,694,141
Total	**13,268,650**	7,694,141

At 30 June 2013, short-term deposits were earning interest at a weighted average fixed deposit rate of 0.5% (2012: 0.5%). 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 22). The possible effect of changes in interest rates is shown below:

Effect on profit before tax	2013 £	2012 £
Increase or decrease of 1% change in LIBOR	**20,000**	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 2013, the Group had four customers that owed the Group more than £50,000 and accounted for approximately 83% 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 £3,116,012 (2012: £2,219,940). The Group does not hold collateral as security.

27 Financial instruments and financial risk factors *continued*

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

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

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Trade payables and other liabilities				
6 months or less	**8,617,921**	3,840,724	**7,697,033**	2,764,592
6-12 months	–	–	–	–
More than 1 year	**2,812,371**	3,452,069	**2,812,371**	3,452,069
	11,430,292	7,292,793	**10,509,404**	6,216,661

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Interest-bearing loans and borrowings				
6 months or less	–	–	–	–
6-12 months	**2,000,000**	–	**2,000,000**	–
More than 1 year	–	2,981,819	–	2,981,819
	2,000,000	2,981,819	**2,000,000**	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 1.82 pence as at 30 June 2012 to 4.1 pence as at 30 June 2013).

Currency risk
The Group and Company are exposed to foreign currency risk on trade receivables. The currencies giving rise to the risk are United States Dollars, Euros and Canadian Dollars. There are no currency hedging arrangements in place. The value of the Group's financial assets denominated in foreign currencies at 30 June 2013 was £2,379,205 (2012: £1,602,263); Company £nil (2012: £nil). A 25% change in Sterling exchange rate will result in a profit or loss pre tax recognised in the statement of profit or loss of £594,801 (2012: £400,566) in the Group; Company £nil (2012: £nil).

27 Financial instruments and financial risk factors *continued*

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 2013. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2013		2012	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
Loans and receivables at amortised cost	**3,972,006**	**3,972,006**	3,253,846	3,253,846
Financial liabilities at amortised cost	**(13,483,884)**	**(13,483,884)**	(6,822,543)	(6,822,543)
Available-for-sale financial assets at fair value	**4,393,752**	**4,393,752**	6,456,132	6,456,132
	(5,118,126)	**(5,118,126)**	2,887,435	2,887,435

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 at intervals of less than one year.

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)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2013:

	Level 1 £	Level 2 £	Level 3 £	Total £
Available-for-sale financial assets	**4,393,752**	–	–	**4,393,752**

The following table presents the changes in Level 3 financial assets for the year ended 30 June 2013:

	£
Opening balance	–
Disposals in the year	–
Closing balance	–

Notes to the financial statements
continued

28 Share capital and reserves

	Authorised	
	2013 No.	2012 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	
	2013 No.	2012 No.
Ordinary shares of £0.001 each	**921,139,016**	675,419,147
Deferred shares of £0.049 each	**368,341,780**	368,341,780
	1,289,480,796	1,043,760,927

	£	£
Ordinary shares of £0.001 each	**921,139**	675,419
Deferred shares of £0.049 each	**18,048,747**	18,048,747
	18,969,886	18,724,166

245,719,869 new ordinary shares were issued during the year.

1,744,908 share options were exercised at a price of 5 pence per share. 130,000,000 ordinary shares issued at a price of 12.25 pence in a share placing (expenses of £424,540 were deducted from share premium) and 27,755,101 ordinary shares issued at the Placing Price pursuant to the conversion of £3,400,000 of the loans drawn down by the Group. Of the proceeds received, £159,500 has been recorded in share capital and £18,828,205 in share premium.

86,219,860 ordinary shares issued on the acquisition of Deo Petroleum plc (see note 17). Of the proceeds received, £86,220 has been recorded in share capital, and £12,631,209 in merger reserve.

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

The merger reserve represents the premium on the issue of the consideration shares on the acquisition of DEO Petroleum plc (see note 17).

29 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 2013, 12 employees (2012: 11) 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), to be settled in cash. The fair value of the SARs is measured at each reporting date using the Black-Scholes-Merton model.

The carrying amount of the liability relating to the SARs at 30 June 2013 is £8,626,897 (2012: £4,850,506).

Deferred share payments – cash settled
I Rawlinson and P Dayer participated in deferred share payment (DSP) 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 DSPs is measured at each reporting date using the closing share price of The Parkmead Group plc.

The carrying amount of the liability relating to the DSPs at 30 June 2013 is £95,483 (2012: £44,764).

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

	2013 £	2012 £
Equity-settled share based payments	**265,775**	(388,562)
Cash-settled share based payments	**3,827,110**	2,945,163
	4,092,885	2,556,601

There have been no cancellations or modifications to any plans during 2013 or 2012. 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 2013 is as follows:

	2013		2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**22,013,576**	**£0.0567**	56,930,334	£0.0669
Granted	**5,690,000**	**£0.1201**	3,426,000	£0.1063
Exercised*	**(1,744,908)**	**£0.0500**	(4,857,142)	£0.0500
Lapsed	**(5,544,668)**	**£0.0810**	–	–
Forfeited	–	–	(33,485,616)	£0.0800
Outstanding at 30 June	**20,414,000**	**£0.0684**	22,013,576	£0.0567
Exercisable at 30 June	**6,220,000**	**£0.0271**	9,683,576	£0.0359

* The weighted average share price at the date of exercise was £0.1325 (2012: £0.1429).

29 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	2013	2012
8 April 2013	5.00 pence	–	1,796,909
8 April 2013	5.38 pence	–	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
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	**2,882,000**	5,544,000
8 August 2021	10.63 pence	**2,262,000**	3,426,000
17 September 2022	11.88 pence	**4,446,000**	–
14 December 2022	12.50 pence	**1,244,000**	–
		20,414,000	22,013,576

The options outstanding at 30 June 2013 had a weighted average remaining contractual life of 8 years (2012: 7 years).

The fair value of the share options granted has been calculated using the Black-Scholes-Merton model. The inputs to 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
September 2012	£0.1080	£0.1187	110%	3 years	10 years	0%	1.77%	£0.0994
December 2012	£0.1136	£0.1250	109%	3 years	10 years	0%	1.84%	£0.1045

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.

29 Share based payments *continued*

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 2013 has been calculated using the Black-Scholes-Merton model. The inputs to the model and resulting fair values were as follows:

	Number of SARs outstanding	Share price at 30 June 2013	Exercise price	Volatility	Vesting Period	Expected life	Expected dividend yield	Risk free rate
October 2010	19,500,000	£0.1325	£0.0155	108%	2 years	10 years	0%	2.21%
October 2010	19,500,000	£0.1325	£0.0155	108%	3 years	10 years	0%	2.21%
August 2011	16,742,000	£0.1325	£0.1063	108%	2.5 years	10 years	0%	2.21%
August 2011	16,742,000	£0.1325	£0.1063	108%	3 years	10 years	0%	2.21%
September 2012	15,987,000	£0.1325	£0.1187	108%	2.5 years	10 years	0%	2.21%
September 2012	15,987,000	£0.1325	£0.1187	108%	3 years	10 years	0%	2.21%

The fair value of the SARs granted at 30 June 2012 has been calculated using the Black-Scholes-Merton model. The inputs to 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 years	10 years	0%	1.68%

30 Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is £7,313,781 (2012: £5,037,678).

31 Notes to the statement of cashflows

Reconciliation of operating loss to net cash flow from continuing operations

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Operating loss	**(5,099,760)**	(4,704,561)	**(7,166,100)**	(4,826,202)
Depreciation	**369,762**	70,406	**66,153**	49,528
Amortisation	**33,521**	18,487	**–**	–
(Gain)/loss on disposal of fixed assets	**133,198**	(1,250)	**82,856**	(1,250)
Gain on bargain purchase	**(1,215,976)**	–	**–**	–
Provision for share based payments	**4,528,505**	2,963,030	**4,537,867**	2,934,443
(Increase)/decrease in receivables	**(265,435)**	(1,531,682)	**(10,803,620)**	(3,239,618)
Increase/(decrease) in payables	**(3,196,330)**	1,070,184	**(165,399)**	418,068
Increase/(decrease) in other provisions	**18,542**	(215,984)	**(2,484)**	(248,062)
Net cash flow from operations	**(4,693,973)**	(2,331,370)	**(13,450,727)**	(4,913,093)

32 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	
	2013 £	2012 £
Within one year	**–**	–
Within two to five years	**74,400**	130,200
More than five years	**1,430,625**	863,100
	1,505,025	993,300

33 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 £781,617 (2012: £365,600).

Any balances outstanding at 30 June 2013 and 2012 in respect of the above transactions are shown in Note 19 and Note 21.

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 £52,629 (2012: £100,945). The lease was relinquished during the year.

In August 2012, the Company entered into a further 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 £172,539 (2012: £nil).

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. During the year £2,418,181 was advanced to the Company (2012: £2,981,819).

In January 2013, as part of a Placing and Debt for Equity Conversion (Note 28) 27,755,101 new Ordinary Shares were issued to T P Cross (and entities affiliated to him) at the Placing Price pursuant to the conversion of £3.4 million of loans drawn down by the Company from T P Cross (and entities affiliated to him). Following this conversion, the Company had £2.0 million of loan drawn and had £4.0 million of undrawn facility.

Interest during the period amounted to £140,419 (2012: £222,737).

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:

	2013 £	2012 £
Short-term employee benefits	**726,625**	678,283
Post-employment pension benefits	**35,584**	28,412
Share-based payment transactions	**3,817,748**	2,973,750
	4,579,957	3,680,445

Notes to the financial statements

continued

34 Post year end date events

Acquisition of Lochard Energy Group PLC

On 23 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 will acquire the entire issued and to be issued ordinary share capital of Lochard Energy Group PLC ("Lochard"). The acquisition was to be implemented by way of a Court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006.

On 25 July 2013 the Court sanctioned the Scheme, and the relevant court orders were delivered to the Registrar of Companies and therefore the Scheme became effective in accordance with its terms. On 26 July 2013 the acquisition was therefore completed and Lochard 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 0.385 New Parkmead Group plc Shares for each Scheme Share and The Parkmead Group plc made an application for the admission of 115,063,262 Parkmead Group plc Shares to be admitted to trading on AIM.

The financial impact of the business combination is disclosed in note 17.

35 Jointly Controlled Assets

Fields in production or under development as at 30 June 2013:

Country	Licence	Block Destination	Field Name	Field Operator	Net unit Interest (%)
Netherlands	Andel V	Andel V	Brakel	Northern Petroleum Nederland B.V.	15
Netherlands	Andel V	Andel V	Wijk en Aalburg	Northern Petroleum Nederland B.V.	15
Netherlands	Drenthe III	Drenthe III	Geesbrug	Northern Petroleum Nederland B.V.	15
Netherlands	Drenthe IV	Drenthe IV	Grolloo	Northern Petroleum Nederland B.V.	15

Exploration acreage and discoveries as at 30 June 2013:

Country	Licence	Block Destination	Field/Prospect Name	Operator	Net unit Interest (%)
UK	P.1242	48/1a, 47/5b	Platypus	Dana Petroleum (E&P) Limited	15
UK	P.1566	47/4d, 47/5d	Pharos	Dana Petroleum (E&P) Limited	20
UK	P.1594	48/1c	Possum	Dana Petroleum (E&P) Limited	15
UK	P.1742	47/10c, 48/6c	Blackadder	Dana Petroleum (E&P) Limited	20
UK	P.218	15/21a North Area	Perth	Deo Petroleum U.K. Limited	52.03
UK	P.218	15/21a South Area	Dolphin/Sigma	Deo Petroleum U.K. Limited	52.03
UK	P.218	15/21a Gamma Sub Area	Gamma Spaniards	Premier Oil UK Limited	12.63
UK	P.1655	15/21g	Gamma Spaniards	Premier Oil UK Limited	12.63
UK	P.218	15/21f		Deo Petroleum U.K. Limited	52.03
UK	P.588	15/21c Perth Field Area	Perth	Deo Petroleum U.K. Limited	52.03
UK	P.588	15/21b Perth Field Area	Perth	Deo Petroleum U.K. Limited	52.03
UK	P.1993	15/16e	Birnam/Kinross	DEO Petroleum Exploration Limited	34
UK	P.1957	29/27, 28 & 37/3, 4	Ardnamurchan	Parkmead (E&P) Limited	100
UK	P.2082	30/12c, 13c, 18c	Skerryvore	Parkmead (E&P) Limited	30.5
UK	P.1933	205/23, 24, 25, 28, 29 & 30	Bombadier/ Eddystone	Parkmead (E&P) Limited	43
UK	P.2069	205/12	Davaar	Parkmead (E&P) Limited	30
UK	P.1966	132/3, 4, 8, 9, 13, 14, 18, 19 & 142/28, 29	Longships/Bardsey	Parkmead (E&P) Limited	100
Netherlands	Andel V	Andel V	Ottoland	Northern Petroleum Nederland B.V.	15
Netherlands	Drenthe III	Drenthe III	Diever West	Northern Petroleum Nederland B.V.	7.50
Netherlands	Papekop	Papekop	Papekop	Northern Petroleum Nederland B.V.	15

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