



BUILDING FOR GROWTH

ANNUAL REPORT 2017

PG | PARKMEAD
GROUP

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BUILDING FOR GROWTH

The Parkmead Group is a UK and Netherlands focused independent energy group listed on the Alternative Investment Market of the London Stock Exchange. The Group currently produces gas from a portfolio of four fields across the Netherlands and holds oil and gas interests spanning 26 exploration and production blocks.

parkmeadgroup.com

[@Parkmeadgroup](https://twitter.com/Parkmeadgroup)

FROM THE CHAIRMAN

Parkmead's increased gas production moved the Company into gross profit in 2017

2017 has been an important year of progress for Parkmead, despite the challenging low oil price environment. Building on the strong foundations established in recent years, the Company significantly increased its position in key assets across its UK portfolio through four separate transactions. The first of these doubled Parkmead's stake in the Polecat and Marten oil fields, increasing the Company's 2C resources by some 41%.

Parkmead's increased gas production moved the Company into gross profit in 2017, thanks to outstanding success at the Diever West gas field and the cost reduction programme in the UK. Moving into gross profit is an excellent achievement for Parkmead, creating momentum to continue this progress.

The Group is currently analysing a number of value-adding opportunities. These are primarily in oil and gas, but include wider energy related opportunities, which could broaden and enhance the Group's revenue stream.

I OPERATIONS AND PORTFOLIO GROWTH

Parkmead has made further progress towards building a balanced independent energy group of breadth and scale, by developing its current portfolio and increasing its asset base through acquisitions.

In August 2016, the Group doubled its stake in the Polecat and Marten oil fields in the UK Central North Sea. The Polecat and Marten fields are located in Blocks 20/3c & 20/4a within Licence P. 2218. Parkmead acquired a further 50% of Licence P. 2218, and now operates this area with 100% equity. Parkmead initially secured its first 50% interest in these blocks as part of its success in the UK 28th Licensing Round awards, where the Company gained a total of six new oil and gas licences covering 10 offshore blocks.

The Polecat and Marten fields lie approximately 20km east of the major Buzzard field, and are located close to Parkmead's Greater Perth Area ("GPA") oil hub project, in the prolific Moray Firth area of the Central North Sea. Polecat and Marten are

two sizeable Buzzard sandstone oil accumulations, which are jointly estimated to hold over 90 million barrels of oil in place and over 33 million barrels of gross 2C resources. Through this acquisition, Parkmead increased the Group's total 2C resources by 41%, from 41.9 to 59.1 million barrels of oil equivalent as at 31 December 2016.

Polecat and Marten have the potential to be highly valuable to Parkmead given their close proximity to a number of possible export routes, including Perth. Parkmead notes the recent Verbier discovery made by Statoil in Blocks 20/5b & 21/1d, approximately 12km east of Polecat and Marten. Verbier lies in the same play fairway as these fields, and shares many similarities with them. The discovery at Verbier could have the potential to considerably increase the value of Polecat and Marten.

In September 2016, Parkmead increased its stake in the GPA by securing additional equity in the Perth and Dolphin oil fields. The Perth and Dolphin fields are located across Blocks 15/21a & c and 14/25a in the UK Central North Sea. Through this growth step, Parkmead has increased its equity in these licences to 60.05%. The Perth and Dolphin fields, which are both operated by Parkmead, are at the core of Parkmead's GPA oil hub project.

Perth and Dolphin are located in the Moray Firth area of the UK Central North Sea, which contains very large oil fields such as Piper, Claymore and Tartan. Through a series of licensing round successes and strategic acquisitions, Parkmead has established a key position in this area of the North Sea. Perth and Dolphin are two substantial Upper Jurassic Claymore sandstone accumulations that have tested 32-38° API oil at production rates of up to 6,000 bopd per well. As a result of increasing its equity in these licences, Parkmead has grown the Group's total proved and probable (2P) reserves by 19% from 23.5 to 27.9 million barrels of oil equivalent as at 31 December 2016.

Parkmead has made a number of important growth steps during 2017 in relation to the GPA project. An invitation to tender was announced to the service provider market earlier

Tom Cross
Executive Chairman



+163%

**INCREASE IN DIEVER WEST
GAS IN PLACE VOLUME**

£1.2m

GROSS PROFIT

+41%

**INCREASE IN
GROUP 2C RESOURCES**

4

**PRODUCING
GAS FIELDS**

average operating cost
\$10/barrel

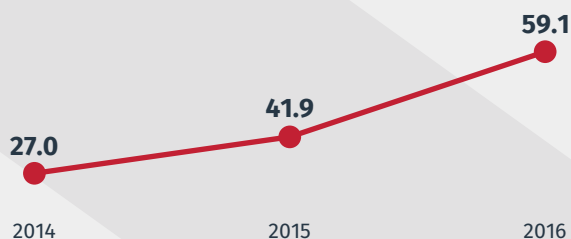
in the year, covering the pre-FEED, FEED and subsequent development phases of the project. Parkmead is pleased to report that 13 alliance submissions were received, comprising 35 companies, across all project components of drilling, subsea construction and export route options. After analysing the proposals, Parkmead is holding discussions with a number of leading, internationally renowned service companies.

The majority of the proposals have focused on innovative approaches to the potential development, with significant new work carried out on well planning, timeline to production and financing. A number of the proposals have also offered finance to the Group and Parkmead has received financial proposals for major parts of the development, reducing the capital expenditure needed to bring the project onstream.

Considerable progress was also made during the period at Parkmead's Platypus gas field development. Detailed development concept work has found that, by collaborating with other facilities in the area, a minimal platform concept can be adopted, substantially reducing development expenditure. In addition, the field's gas reserves can be efficiently recovered from two rather than three development wells. This increases the value of the Platypus development. The joint venture partnership is currently working towards optimising the export route for Platypus ahead of an offtake agreement. Various export options are available to the partnership, given the extensive availability of infrastructure in the UK Southern Gas Basin.

In April 2017, Parkmead significantly increased its stake in the major Sanda North and Sanda South structures in the West of Shetland area of the UK. These two large Palaeocene prospects are both located within Block 205/13. Through this accretive step, Parkmead has increased its equity in the licence from 56% to 100%. The Sanda North and Sanda South prospects, which are both operated by Parkmead, have the potential to contain 280 million barrels of recoverable oil on a most likely, P50 basis.

YEAR ON YEAR 2C RESOURCES GROWTH (mmboe)



In May 2017, the Company announced that it had signed a Sale and Purchase Agreement with Verus Petroleum (SNS) Limited to acquire a 50% interest in UK North Sea Licence P.2209 which contains the Farne Extension prospect and a further four prospective leads. The acquisition was completed in August 2017, doubling Parkmead's equity in the licence to 100%. Licence P.2209 comprises two adjacent blocks, Block 42/19 and Block 42/20b. The range of prospects and leads within this licence, which is operated by Parkmead, have the potential to contain 175 billion cubic feet of gas initially in place on a most likely, P50 basis.

STRONG NETHERLANDS ASSET BASE

The Group has substantially increased production from the Diever West gas field over the last few months. The Akkrum formation section of the field has been perforated, almost quadrupling the perforated reservoir interval from approximately 16 to 62 feet. Gross production at the end of October 2017 at Diever West was 39.3 million cubic feet per day (approximately 6,764 boepd, 507 boepd net to Parkmead).

The Diever West field has performed above expectations since first production, and new dynamic reservoir modelling suggests the field has approximately 108 billion cubic feet of gross gas-in-place volumes, more than double the post drill static volume estimate of 41 billion cubic feet.

The portfolio comprises four separate producing gas fields with a very low average operating cost of just US\$10 per barrel of oil equivalent. This profitable gas production from the Netherlands provides important cash flow to the Group. This is valuable income for Parkmead, particularly given the relatively low oil price environment.

A number of enhanced production opportunities have been identified within Parkmead's existing Netherlands portfolio, which the Group intends to capitalise on with the aim of further increasing its gas production. Production at the Brakel field is set to recommence within the next few months following compression work that is currently being undertaken to optimise production. The field is expected to come back onstream at a gross rate of 1.85 million cubic feet per day (approximately 318 boepd, Parkmead 15% working interest).

Detailed work is set to begin on the Ottoland discovery, located on the same Andel Va block as the Brakel gas field. Structural and static modelling, followed by seismic interpretation and depth migration studies, will refine the volumetrics ahead of a development plan potentially including a new horizontal well. In addition, seismic reprocessing will be carried out on the Andel Vb licence ahead of updating the prospectivity estimates for this area. This extensive new work will be conducted throughout 2018.

RESULTS

The Group's revenue for the year to 30 June 2017 was £4.1m (2016: £10.4m), generating a milestone gross profit of £1.2m (2016: £4.6m loss). This is a significant achievement and is testament to the success of the Group's onshore gas portfolio and careful financial discipline. The difference in revenue from 2016 to 2017 is a result of the Athena oil field being shut-in in January 2016 as part of a cost reduction programme, substantially reducing the Group's cost of sales from that point forward.

Parkmead has re-allocated capital to the Company's low-cost producing gas fields in the Netherlands, where Parkmead's four separate gas fields have an average operating cost of just US\$10 per barrel of oil equivalent. The new Diever West field in particular has extremely low operating costs in the region of US\$6 per barrel of oil equivalent. Parkmead's gas portfolio in the Netherlands generates positive cash flows despite the low current commodity prices. Administrative expenses were £2.3m

(2016: £0.5m), which included a charge in respect of share based payments of £0.7m (2016: credit £1.4m).

Parkmead's total assets at 30 June 2017 were £82.2m (2016: £87.5m). Available-for-sale financial assets were £3.2m (2016: £2.6m). Cash and cash equivalents at year end were £26.4m (2016: £28.3m). Parkmead is very carefully managed and is debt free. The Group's net asset value was £68.9m (2016: £73.2m). Parkmead is therefore well positioned to withstand the current market conditions and indeed views the current macro environment as an opportunity for further growth. This positive position is a direct result of Parkmead's experienced team, its pro-active portfolio management and its strong focus on capital discipline.

Due to Parkmead's ongoing growth opportunities and associated investment programme, the Board is not recommending the payment of a dividend in 2017 (2016: £nil).

6,764 BOE PER DAY

Diever West production at end of October 2017

At Parkmead's producing Geesbrug field, the potential for a new low-cost infill well is being studied in order to maximise production. New work is also being undertaken on the Papekop onshore oil and gas discovery. Previous evaluation of the discovery by the joint venture partnership indicates that Papekop contains gross unrisks oil-in-place of 40 million barrels and gas-in-place of 24 billion cubic feet on a most likely, P50 case. New structural and static modelling will look to refine the volume estimates at Papekop, after which development scenarios will be analysed and planned.

INVESTMENTS

The Group's principal available-for-sale investment is its shareholding in Faroe Petroleum plc ("Faroe") (LSE AIM: FPM.L). As at 30 June 2017, the value of this investment was £3.2m (30 June 2016: £2.6m). Faroe's closing share price at 30 June 2017 was 83.00 pence per share.

OUTLOOK

The Directors of Parkmead are pleased with the Group's continuing progress in building an energy company of increasing breadth and scale. Parkmead has a balanced portfolio of licences, growing gas production and a strong

oil and gas reserves base. Therefore, we believe Parkmead is well positioned to build further on the progress to date and to capitalise on new opportunities. We are delighted by the outperformance achieved at Diever West and the increased stakes we have secured in key assets across the portfolio.

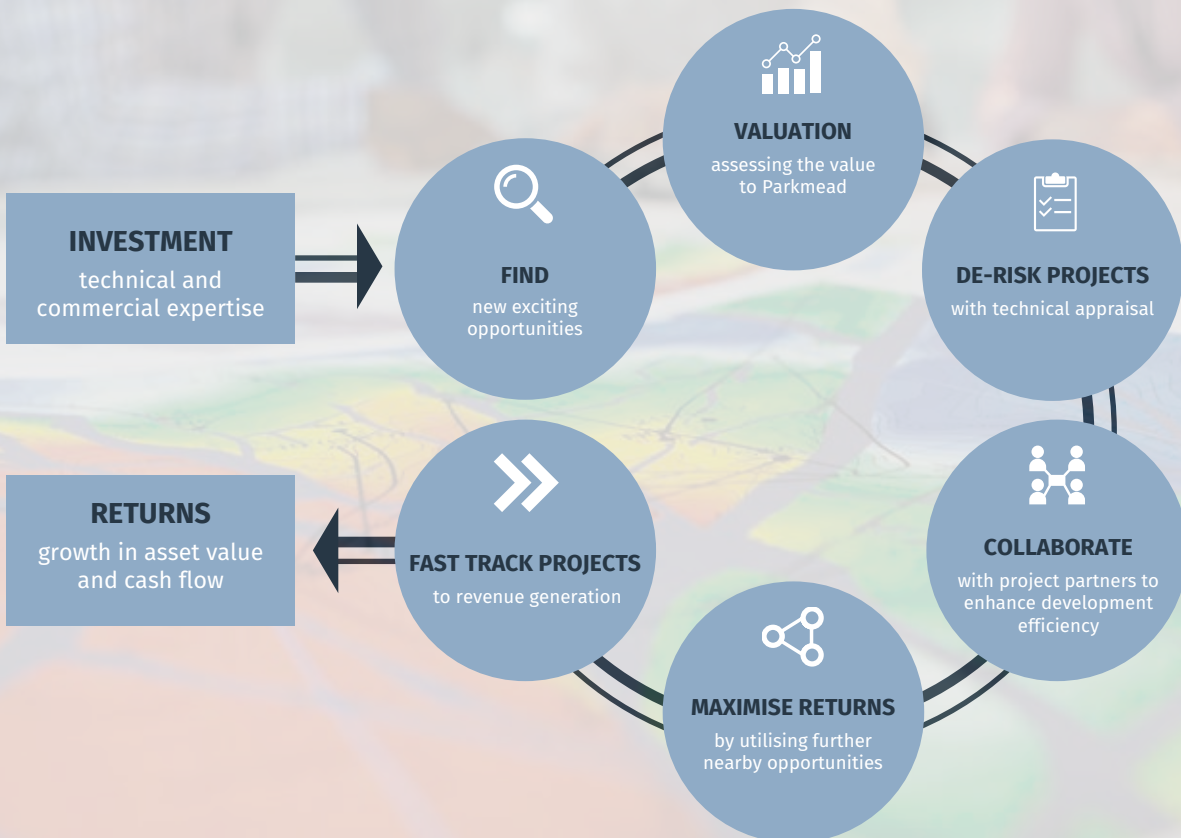
As we move towards 2018, Parkmead maintains its appetite for acquisitions and is looking carefully at both oil and gas, and at wider energy sector opportunities. We will also seek to add shareholder value through a dynamic work programme to maximise the inherent value in our existing assets. The Group has built a strong platform from which to become a successful energy group, and we look forward to updating shareholders as we make further progress.



Tom Cross
Executive Chairman
16 November 2017

INCREASING BALANCE WITHIN THE GROUP

HOW PARKMEAD'S TEAM EVALUATES PROJECTS



PARKMEAD'S ECONOMICS SUBSIDIARY – AUPEC LIMITED

Parkmead benefits from increasing balance within the Group. Currently, there are two separate arms of the business; Parkmead E&P and Aupec. Aupec provides Parkmead with long-term and sustainable revenue which complements the Group's exploration and production (E&P) operations.

Aupec is a world-renowned energy consultancy which has served over 100 clients, including governments, national oil companies, majors and independents, across the world, as well as a number of multi-national agencies such as the European Commission and the World Bank.

AUPeC

Created in 1986, Aupec has more than 30 years of experience in the energy sector. Today Aupec specialises in economic benchmarking for its global client base.

Parkmead has been investing in Aupec over recent years and will continue to build Aupec, potentially expanding Aupec's specialist expertise into the wider energy sector.

ENERGY MARKET PERSPECTIVE

OPEC AGREEMENT

OPEC reached an historic agreement in November 2016 to reduce oil production by 1.2 million barrels per day, effective January 2017. Further to this deal, an agreement was reached with key non-OPEC countries, including Russia, to cut production by 600,000 barrels per day. These actions have brought stability to the oil market, and OPEC has subsequently vowed to do 'whatever it takes' to bring balance to the supply and demand dynamics of the oil market.

The agreement was brought about due to a number of OPEC constituent countries feeling severe financial pressure from the previous 'market share' policy. The leading influence in the OPEC group, Saudi Arabia, recorded a budget deficit of 15% in 2015, the highest among the world's 20 largest economies. This led to the country's first international debt issuance and plans to potentially list part of the national oil company, Saudi Aramco.

Further concerted OPEC and non-OPEC action to balance the oil market is expected.

SUPPLY AND DEMAND DYNAMICS

We are continuing to see the oil market rebalance, not only through reduced supply, but also increased demand. Data from the US Energy Information Administration shows that in 2017 world oil consumption overtook world oil production. This has

In 2017 world oil consumption overtook world oil production

resulted in large reductions of oil inventories across the world taking place.

Analysts see this trend continuing, and likely increasing, as the significant energy demand from growing economies such as India and China is satisfied.

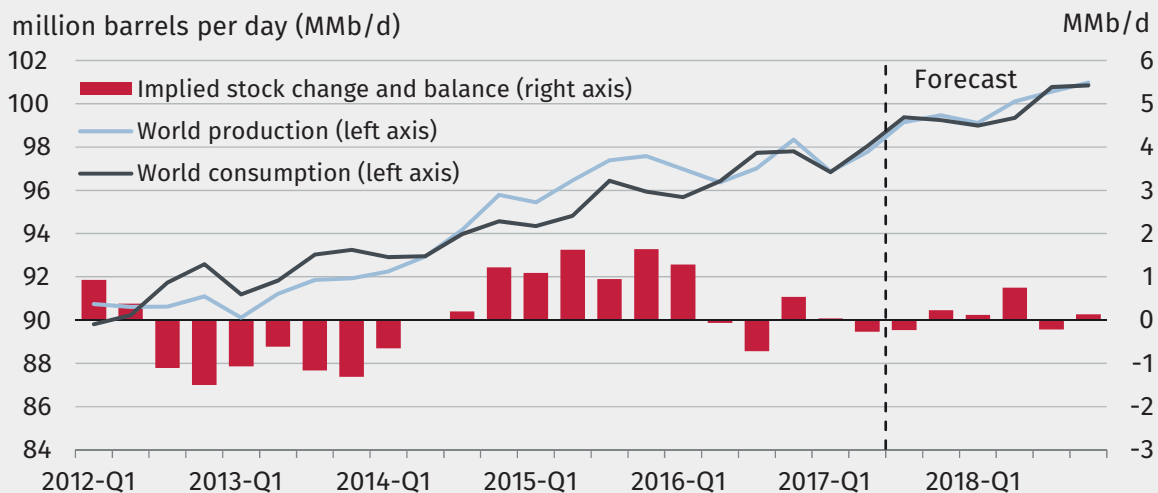
By 2040, energy consumption is forecast to increase by 48%. In 2040, fossil fuels (liquids, gas and coal) will account for 78% of total world energy consumption. (Source: US Energy Information Administration, International Energy Outlook 2016)

SHORTAGE AHEAD?

Investment in oil and gas upstream projects across the world has been significantly scaled back due to the reduction in oil price.

Wood Mackenzie estimates that upstream capital investment planned between 2015 and 2020 has been cut by over US\$1 trillion. This huge reduction in investment will have a major impact on the number of upstream projects coming on stream over the course of the next few years, which could considerably increase the market price of oil and gas.

WORLD LIQUID FUELS PRODUCTION AND CONSUMPTION BALANCE



Source: US Energy Information Administration Short-Term Energy Outlook, October 2017

ASSET PORTFOLIO



We are building a modern energy group of increasing breadth and scale, with a balanced portfolio of licences, growing gas production and a strong asset base

Dr Colin Percival
Technical Director

PORTFOLIO PICK – WEST OF SHETLAND

The team is excited with our increased equity in the major Sanda North and Sanda South structures in the West of Shetland area of the UK. These two large Palaeocene prospects are both located within Block 205/13. Parkmead increased its equity in the licence from 56% to 100% in April 2017. The Sanda North and Sanda South prospects, which are both operated by Parkmead, have the potential to contain 280 million barrels of recoverable oil on a most likely, P50 basis.

The licence covering Block 205/13 was originally awarded to Parkmead as part of the UKCS 28th Licensing Round, where Parkmead won a total of six new oil and gas licences covering 10 offshore blocks.

Block 205/13 is situated in the Faroe-Shetland Trough in the West of Shetland region. To the north east of the Lancaster field. The Primary play fairway developed on this acreage is the Paleocene Vaila Formation which forms the reservoir in the

important nearby oil fields at Foinaven, Schiehallion and Loyal, and also in the Laggan and Tormore gas discoveries which are situated to the north east of Sanda.

The Vaila Formation consists of a sequence of interbedded sandstones, deposited in a submarine fan environment, and contains five main reservoir units. Detailed mapping of Block 205/13 indicates two exploration targets, Sanda North and Sanda South, which are defined by distinct amplitude anomalies in the Palaeocene Vaila section.

The Sanda prospects have been de-risked through the drilling of a previous well up-dip of the amplitude anomaly. Parkmead's experienced team of geoscientists has already undertaken extensive seismic reprocessing work on the licence and has recently acquired detailed geochemical data from the previously drilled well. This new data will be analysed to further de-risk the target ahead of a drilling decision at Sanda.



CENTRAL NORTH SEA

- Invitation to tender made to the service provider market for Greater Perth Area development project
- 13 alliance submissions were received covering 35 companies across all project components of drilling, subsea construction and export route options
- Parkmead increased its stake in the centre of the Greater Perth Area by securing additional equity in the Perth and Dolphin oil fields
- Doubled stake in the Polecat and Marten oil fields, increasing the Company's 2C resources by 41%



SOUTHERN NORTH SEA

- Development concept work at the Platypus gas field found that collaborating with nearby facilities can substantially reduce capital and operating expenditure
- Platypus' gas reserves can be efficiently recovered from two rather than three development wells, increasing value and profitability
- Currently working towards optimising the export route for Platypus ahead of finalising an offtake agreement
- Completed acquisition of an additional 50% interest in UK North Sea Licence P.2209, which contains the Farne Extension prospect and a further four prospective leads

- Oil production/development
- Gas production/development
- Exploration prospects

NETHERLANDS

- Substantially increased production at the Diever West gas field
- Akkrum formation section perforated, almost quadrupling perforated reservoir interval
- Production at the end of October 2017 at Diever West was 39.3 million cubic feet per day (approximately 6,764 barrels of oil equivalent per day)
- New dynamic reservoir modelling suggests the field has approximately 108 Bcf of gas-in-place volumes, more than double the post drill static volume estimate of 41 Bcf



PRODUCTION, APPRAISAL AND EXPLORATION ASSETS at 31 October 2017

| Licence | Block Designation | Field/ Discovery | Prospect/ Opportunity | Operator | Parkmead Equity % | Co-Venturer(s) |
|------------------------------|-------------------|---------------------------------------|-----------------------------|--------------------|----------------------|---|
| UK Central North Sea | | | | | | |
| P. 218 | 15/21a North Area | Perth | | Parkmead | 60.05 | Faroe 39.95% |
| | 15/21a South Area | Dolphin/Sigma | | Parkmead | 60.05 | Faroe 39.95% |
| P. 588 | 15/21c | Perth | | Parkmead | 60.05 | Faroe 39.95% |
| | 15/21b | Residual | | Parkmead | 60.05 | Faroe 39.95% |
| P. 1293 | 14/18b | Athena | | Ithaca | 30.00 | Ithaca 22.5%, Dyas 17.5%, Spike 15%, Jersey 15% |
| P. 2156 | 15/11 & 15/16f | | Fynn/Penny | Parkmead | 25.00 | Faroe 25%, CalEnergy 25%, Verus Petroleum 25% |
| P. 2218 | 20/3c & 20/4a | Marten/Polecat | | Parkmead | 100.00 | |
| P. 2154 | 14/25a | Perth | | Parkmead | 60.05 | Faroe 39.95% |
| P. 1944 | 14/20e | | Fynn/Penny | Parkmead | 25.00 | Faroe 25%, CalEnergy 25%, Verus Petroleum 25% |
| UK Southern North Sea | | | | | | |
| P. 1242 | 48/1a, 47/5b | Platypus | Possum | Dana | 15.00 | Dana 59%, CalEnergy 15%, Zennor Petroleum 11% |
| P. 1566 | 47/4d, 47/5d | Pharos | | Hansa Hydrocarbons | 30.77 | Hansa Hydrocarbons 46.15%, Dyas 23.08% |
| P.2209 | 42/19 & 42/20b | | Farne Extension | Parkmead | 100.00 | |
| UK West of Shetland | | | | | | |
| P. 2296 | 205/13 | | Sanda North/ Sanda South | Parkmead | 100.00 | |
| Netherlands Onshore | | | | | | |
| Andel Va | | Brakel Ottoland Wijk en Aalburg | | Vermilion Energy | 15.00 | Vermilion Energy 45%, EBN 40% |
| Andel Vb | | | | Vermilion Energy | 7.50 | Vermilion Energy 22.5%, EBN 40%, NAM 30% |
| Drenthe IV | | Grolloo | | Vermilion Energy | 15.00 | Vermilion Energy 45%, EBN 40% |
| Drenthe V | | Geesbrug | | Vermilion Energy | 15.00 | Vermilion Energy 45%, EBN 40% |
| Drenthe VI | | Diever West | | Vermilion Energy | 7.50 | Vermilion Energy 52.5%, EBN 40% |
| Papekop | | Papekop | | Vermilion Energy | 15.00 | Vermilion Energy 45%, EBN 40% |

THE BOARD



THOMAS CROSS Executive Chairman

Tom founded The Parkmead Group as an upstream energy business in 2010, by restructuring the company from its previous technology focus. He is a Chartered Director and Petroleum Engineer with extensive energy sector experience, spanning projects in more than 20 countries. Tom was the founder and Chief Executive of Dana Petroleum plc through until its sale to the Korea National Oil Corporation in 2010. Prior to Dana, he held senior positions with Conoco, Thomson North Sea, Louisiana Land 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 has been a key member of The Parkmead Group management team since its foundation as an energy business in 2010. He served as Commercial Director of the Group before becoming Finance Director. 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 previously worked as a financial analyst 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 35 years of experience in the oil and 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 and 28th Licensing Rounds.



PHILIP DAYER Non-Executive Director

Philip has over 30 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 30 years of experience in banking and investment, in 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. 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, holding various senior positions in that group. Since 2005 he has held a wide range of senior independent roles in the commercial and charitable sectors. Ian is a Practising Fellow of the Centre for Social Innovation at the Cambridge Judge Business School and was a non-executive director of Dana Petroleum plc from 2005 through to its successful sale.



FINANCIAL STATEMENTS

STRATEGIC REPORT

BUSINESS REVIEW AND FUTURE ACTIVITIES

The Parkmead Group plc is an independent oil and gas exploration and production company listed on the London Stock Exchange (AIM: PMG). The Group currently produces from four gas fields in the Netherlands and holds interests in a total of 26 exploration and production blocks. Parkmead has significant oil and gas development opportunities across the UK and Netherlands, including the Greater Perth Area oil development located in the Central North Sea. The Group also holds interests in a portfolio of exploration prospects alongside leading international partners. Parkmead is headquartered in Aberdeen, Scotland.

The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 30 June 2017, the position of the Group at the end of the year and any risks facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chairman's Statement and the Strategic Report.

PRINCIPAL RISKS AND MITIGATION

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

There is no guarantee that the Group's exploration activities will be successful and statistically relatively few exploration properties are ultimately developed into producing hydrocarbon fields.

Accordingly, the Group is seeking to balance this risk by building a portfolio of prospects that carry a range of differing technical and commercial risks.

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

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

The development of the Group's properties will depend upon the Group's ability to obtain financing through the joint venture of projects, debt financing, farm downs or other means. There is no guarantee that the Group will be successful in obtaining the required financing or attracting farm-in partners in the medium or long term. If the Group is unable to obtain additional financing as needed or attract suitable farm-in partners, some interests may be relinquished and/or the scope of the operations reduced.

To mitigate this risk, the Group has established a strong net asset base and continues discussions with debt providers.

The market price of hydrocarbon products is volatile and when the price of hydrocarbon products drops significantly, or relevant fiscal regime changes materially for the worse, the economic prospects of the projects in which the Company has an interest may be significantly reduced or rendered uneconomic. The Board recognises the reduction in global oil prices has had a consequential adverse impact on the revenue and cash flow of the Company in the current financial year. If this was sustained in the medium-to-long term this could have a further impact on the financial statements. At all times the Board actively manages its committed expenditure, including short-term working capital and cash flow requirements to sustain the Group through periods of reduced hydrocarbon prices.

The Group is exposed to US Dollar to Sterling and Euro to Sterling exchange risk, due to significant portions of its revenues being denominated in US Dollars and Euros, which are subject to currency exchange fluctuations. The Parkmead Group mitigates this risk by minimising currency exchange and holding reserves of Dollars and Euros to use in the Group's continued investment programme.

On 23 June 2016, a referendum in the United Kingdom returned a result in favour of leaving the European Union. Whilst the longer term political and economic effects of these events are as yet unclear, the announcement of the referendum resulted in a decline in the value of Sterling. At this stage these events are not expected to impact significantly on the Group's existing operations and investments. However, the Board will continue to actively monitor and manage the risks relating to this economic uncertainty.

KEY PERFORMANCE INDICATORS ("KPI")

The Group's key focus is on executing value-adding acquisitions combined with organic growth to increase the value of the Group. The Group tracks year-on year performance measures and is targeting value-adding growth in production, reserves and blocks under licence, whilst always maintaining a strong net asset base. Further discussion of the year-on year performance measures is set out in the Chairman's Statement.

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



Thomas Cross

Director

16 November 2017

DIRECTORS' REPORT

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2017.

GENERAL INFORMATION

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

RESULTS AND DIVIDENDS

The Group loss for the financial year after taxation amounted to £4.9 million (2016: £6.7 million loss). The Directors do not recommend the payment of a final dividend (2016: £nil).

FUTURE DEVELOPMENTS

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

DIRECTORS AND THEIR INTERESTS

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

T P Cross
R A Stroulger
C J Percival
P J Dayer
D I Rawlinson

Biographical details of all the current Directors, as at the date of signing these financial statements, can be found on page 11. 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.

FINANCIAL RISK MANAGEMENT POLICIES

Further details of the Group's financial risk management policies are set out in Note 22 to the financial statements.

SHARE CAPITAL

At 30 June 2017 the total issued ordinary share capital was 98,929,160 shares of 1.5 pence each (Note 23).

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 2017:

| | No. of ordinary shares held | % of Ordinary Shares |
|----------------------------|-----------------------------|----------------------|
| T P Cross & Affiliates | 18,850,779 | 19.05% |
| Cavendish Asset Management | 8,693,652 | 8.79% |
| Polar Capital | 4,666,646 | 4.72% |
| Fidelity Investments | 3,745,554 | 3.79% |

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 adopted policies and procedures during the year ended 30 June 2017.

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 six 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
- › a statement of financial position including net assets per share

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

All 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 in accordance with the Company's Articles of Association. Any Director appointed by the Board during the year must stand for re-appointment at the next AGM.

COMMITTEES AND AUDITORS

Committees

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

Audit Committee

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 2017 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.

DIRECTORS' REPORT **continued**

Remuneration Committee

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 2017 the Remuneration Committee met once, 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 policies and procedures adopted.

Shareholder relations

The Company communicates with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. Directors are available at the Annual General Meeting where shareholders can ask questions or present their views. 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 an appropriate senior member of the management team, depending on the nature of the enquiry.

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 consideration to the requirements of the Code appended to the Listing Rules of the UK Listing Authority
- › to consider, and if thought fit, grant options to Executive Directors and staff under the Group's Option Schemes
- › where applicable, to assess targets that should be used in the fixing of performance related pay for Executive Directors. Such bonuses are paid at the discretion of the Remuneration Committee

Non-Executive Directors

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

INTERNAL CONTROL

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

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

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

HEALTH, SAFETY, THE ENVIRONMENT AND THE COMMUNITY

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.

DIRECTORS' REPORT **continued**

DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each person who was a Director at the time this report was approved:

- › so far as that Director was aware there was no relevant audit information of which the Company's auditors were unaware; and
- › that Director has taken all steps a Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

AUDITORS

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 20 December 2017. Under ordinary business shareholders will be asked to consider:

- › approving the Annual Report and financial statements for the year ended 30 June 2017
- › to re-appoint Directors who, in accordance with the articles of association of the Company have retired by rotation
- › approving the re-appointment of Nexia Smith & Williamson as auditors to the Company
- › to grant Directors the authority to make market purchases and allot shares on a non pre-emptive basis

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



Ryan Stroulger
Finance Director
16 November 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE PARKMEAD GROUP PLC

OPINION

We have audited the financial statements of The Parkmead Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2017 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 notes to the financial statements, including a summary of significant accounting policies. 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 Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion:

- › the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- › the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- › the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

We identified the key audit matters described below as those which were most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC **continued**

KEY AUDIT MATTER

Carrying value of evaluation assets within exploration and evaluation ('E&E') assets (See Note 14)

Description of risk

The Group has significant evaluation assets. The Group's assessment of the carrying value of those assets requires significant judgement, in particular regarding future revenue and operating and capital expenditure cash flows, estimated reserves, future commodity prices, discount rates, rates of recovery and sensitivity assumptions.

How the matter was addressed in the audit and key observations arising with respect to that risk

We focused on this area as it involves complex and subjective judgements about the future results of the business.

We challenged the assumptions and inputs used in the discounted cash flow models ("the models") for evaluation assets (see Note 2).

As part of our procedures we:

- › Reviewed licences to determine whether terms and conditions have been met in the current year and historically.
- › Reviewed outcome of evaluation findings, including reference to third party reports, and management's assessment of future plans for these assets.
- › Reviewed the revenues in the models (see separate key audit matter).
- › Reviewed the models relating to evaluation assets. The assumptions to which the models were most sensitive were the commodity prices, discount rate, cash flows and rates of recovery. As part of this work we corroborated management's assumptions with reference to historical data and, where applicable, external benchmarks noting the assumptions used fell within an acceptable range. In performing our procedures, we used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied.

Based on our procedures we concluded that the carrying value of evaluation assets is appropriate.

KEY AUDIT MATTER

Carrying value of development and production ('D&P') assets (see Note 13)

Description of risk

The Group holds significant D&P assets. The Athena oil field was shut-in from January 2016 and some uncertainty remains as to the future viability of this field due to the current oil price.

The Group's assessment of carrying value requires significant judgement, in particular regarding future revenue and operating and capital expenditure cash flows, future commodity prices, discount rates, production volumes and sensitivity assumptions.

How the matter was addressed in the audit and key observations arising with respect to that risk

We focused on this area as it involves complex and subjective judgements about the underlying recoverable value of the D&P assets.

We challenged the assumptions and inputs used in the models for D&P assets (see Note 2).

As part of our procedures we:

- › Reviewed the models relating to the D&P assets. The assumptions to which the models were most sensitive were the commodity prices, discount rate, cash flows and production volumes.
- › Reviewed the revenues in the models (see separate key audit matter).
- › Corroborated management's assumptions (including commodity prices, discount rate, production volumes and cash flows) with reference to historical data and external benchmarks noting the assumptions used fell within an acceptable range. We also used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied.

Based on our procedures we concluded that the carrying value of D&P assets is appropriate.

KEY AUDIT MATTER

Carrying value of decommissioning provisions (see Note 20)

Description of risk

The Group has significant provisions for decommissioning costs in relation to its oil and gas production assets.

The carrying value of the provision is subject to a significant level of estimation which includes the expected economic life of the field, inflation rates, discount rates and future costs to be paid to decommission the oil or gas field.

How the matter was addressed in the audit and key observations arising with respect to that risk

We focused on this area as it involves complex and subjective judgements about the future decommissioning plans of both the Group and of the Operators of fields in which the Group has a non-operating interest.

We challenged the cost estimates and assumptions used within the decommissioning provision (see Note 2) valuation and evaluated the appropriateness of the discount rates, expected economic life and inflation rates applied.

As part of our procedures we:

- › Reviewed the obligations relating to decommissioning costs, the estimated costs underlying the provision and the expected economic life.
- › Corroborated movements in the provisions to third party evidence.

Third party evidence was used to assess the appropriateness of the costs estimated and assumptions used by management.

We concluded that the judgements made by management and the assumptions used are reasonable based on the audit evidence gathered.

KEY AUDIT MATTER

Revenue

Description of risk

The Group has used future revenues from its oil and gas activities as one of their key inputs in the models used to assess the carrying value of evaluation assets, D&P assets, the Company's investment in Parkmead (E&P) Limited and the amount due from that company.

The underlying cash flows from oil and gas revenues used in the models are dependent on the level of reserves, production profiles and capacity, actual production generated and the Group's share of the revenue (since there are joint partners). The models are sensitive to any change to these profiles and timing, including how much revenue is recognised by the Group, and can have a material impact on the valuation of the assets which could lead to impairment write downs.

How the matter was addressed in the audit and key observations arising with respect to that risk

We focused on revenue as it represented a significant input in the models used to assess impairment.

We challenged the revenues applied in the models and in evaluating this we:

- › Performed testing on oil and gas revenues to confirm the correct proportion and amounts were attributed to the Group and appropriately reflected in the models.
- › Reviewed and used third party evidence to assess the reasonableness of future revenues and cash flows in the models.

Based on our procedures we concluded that the future revenues and cash flows used in the models to be reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC **continued**

KEY AUDIT MATTER

Carrying value of the Parent Company's investment in subsidiaries and receivables due from group companies (See Note 15 and Note 17)

Description of risk

The Parent Company has significant balances relating to investments in subsidiaries and receivables due from group companies.

The investments are largely represented by the ownership of Parkmead (E&P) Limited and amounts owed by that company. The carrying value of the investment in and receivables due from that company is underpinned by the future financial viability of that company.

How the matter was addressed in the audit and key observations arising with respect to that risk

We reviewed management's assessment of impairment of investment in subsidiaries and the recoverability of receivables due from group companies. We challenged the assumptions used in the models for assessing impairment.

As part of our procedures we:

- › Reviewed the assumptions included in the models. The assumptions to which the models were most sensitive were the discount rate and cash flows.
- › Reviewed the revenues in the models (see separate key audit matter).
- › Corroborated management's assumptions with reference to historical data and, where applicable, external benchmarks noting the assumptions used fell within an acceptable range. We also used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied.
- › Assessed the historical accuracy of management's budgets and forecasts, and sought appropriate evidence to substantiate production volumes and costs.

Based on our procedures we have concluded that the carrying value of investments in subsidiaries and receivables due from group companies is appropriate.

MATERIALITY

The materiality for the Group financial statements as a whole was set at £2,450,000. This has been determined with reference to the benchmark of the Group's assets, which we consider to be an appropriate measure for a Group involved in the exploration and development of oil and gas resources. Materiality represents 3% of total assets as presented on the face of the Group Statement of Financial Position.

The materiality for the Parent Company financial statements as a whole was set at £1,590,000. This has been determined with reference to the benchmark of the Parent Company's assets, which we consider to be an appropriate measure as the Parent Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 3% of total assets as presented on the face of the Parent Company's Statement of Financial Position, capped at 65% of group materiality.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We subjected all of the Group's reporting components to audits for group reporting purposes.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- › the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- › the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters 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.

RESPONSIBILITIES OF DIRECTORS


As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Stephen Drew
Senior Statutory Auditor, for and on behalf of,
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London EC2R 6AY
16 November 2017

GROUP STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|-------|----------------|---------------|
| Continuing operations | | | |
| Revenue | 3 | 4,137 | 10,441 |
| Cost of sales | | (2,959) | (15,061) |
| Gross profit/(loss) | | | |
| Exploration and evaluation expenses | | (2,669) | (669) |
| Administrative expenses | | (2,344) | (527) |
| Operating loss | | | |
| Finance income | 9 | 281 | 164 |
| Finance costs | 10 | (749) | (766) |
| Loss before taxation | | | |
| Taxation | 11 | (607) | (274) |
| Loss for the year attributable to the equity holders of the Parent | | | |
| Loss per share (pence) | | | |
| Continuing operations | | | |
| Basic | 12 | (4.96) | (6.76) |
| Diluted | 12 | (4.96) | (6.76) |

GROUP AND COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | Group | | Company | |
|---|-------|----------------|---------------|----------------|---------------|
| | | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| (Loss)/profit for the year | | (4,910) | (6,692) | (1,882) | 523 |
| Other comprehensive income | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Fair value gain/(loss) on available-for-sale financial assets | | 583 | (671) | 583 | (671) |
| | | 583 | (671) | 583 | (671) |
| Income tax relating to components of other comprehensive income | | - | - | - | - |
| Other comprehensive profit/(loss) for the year, net of tax | | 583 | (671) | 583 | (671) |
| Total comprehensive loss for the year attributable to the equity holders of the Parent | | (4,327) | (7,363) | (1,299) | (148) |

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | Group | | Company | |
|---|-------|-----------------|-----------------|----------------|----------------|
| | | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Non-current assets | | | | | |
| Property, plant and equipment: development & production | 13 | 15,993 | 17,986 | - | - |
| Property, plant and equipment: other | 13 | 55 | 75 | 52 | 75 |
| Goodwill | 14 | 2,174 | 2,174 | - | - |
| Other intangible assets | 14 | - | - | - | - |
| Exploration and evaluation assets | 14 | 33,382 | 34,642 | - | - |
| Investment in subsidiaries and joint ventures | 15 | - | - | 23,922 | 25,025 |
| Available-for-sale financial assets | 16 | 3,227 | 2,644 | 3,227 | 2,644 |
| Deferred tax assets | 11 | 3 | 3 | - | - |
| Total non-current assets | | 54,834 | 57,524 | 27,201 | 27,744 |
| Current assets | | | | | |
| Trade and other receivables | 17 | 927 | 1,475 | 47,033 | 45,367 |
| Current tax asset | | - | 195 | - | - |
| Cash and cash equivalents | 18 | 26,396 | 28,288 | 12,889 | 15,492 |
| Total current assets | | 27,323 | 29,958 | 59,922 | 60,859 |
| Total assets | | 82,157 | 87,482 | 87,123 | 88,603 |
| Current liabilities | | | | | |
| Trade and other payables | 19 | (2,364) | (2,528) | (2,315) | (2,581) |
| Current tax liabilities | | (457) | - | - | - |
| Total current liabilities | | (2,821) | (2,528) | (2,315) | (2,581) |
| Non-current liabilities | | | | | |
| Other liabilities | 19 | (70) | (27) | (68) | (26) |
| Deferred tax liabilities | 11 | (1,284) | (1,284) | - | - |
| Decommissioning provisions | 20 | (9,102) | (10,479) | - | - |
| Total non-current liabilities | | (10,456) | (11,790) | (68) | (26) |
| Total liabilities | | (13,277) | (14,318) | (2,383) | (2,607) |
| Net assets | | 68,880 | 73,164 | 84,740 | 85,996 |
| Equity attributable to equity holders | | | | | |
| Called up share capital | 23 | 19,533 | 19,533 | 19,533 | 19,533 |
| Share premium | | 87,805 | 87,805 | 87,805 | 87,805 |
| Merger reserve | | - | 27,187 | - | 27,187 |
| Revaluation reserve | | (2,798) | (3,381) | (2,798) | (3,381) |
| Retained deficit | | (35,660) | (57,980) | (19,800) | (45,148) |
| Total Equity | | 68,880 | 73,164 | 84,740 | 85,996 |

The financial statements on pages 24 to 71 were approved by the Board of Directors on 16 November 2017 and signed on its behalf by:



Thomas Cross
Director



Ryan Stroulger
Director

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Revaluation reserve £'000 | Retained deficit £'000 | Total £'000 |
|---|---------------------------|---------------------------|----------------------------|---------------------------------|------------------------------|----------------|
| At 1 July 2015 | 19,533 | 87,805 | 27,187 | (2,710) | (51,346) | 80,469 |
| Loss for the year | - | - | - | - | (6,692) | (6,692) |
| Fair value loss on available-for-sale financial assets | - | - | - | (671) | - | (671) |
| Total comprehensive loss for the year | - | - | - | (671) | (6,692) | (7,363) |
| Share-based payments | - | - | - | - | 58 | 58 |
| At 30 June 2016 | 19,533 | 87,805 | 27,187 | (3,381) | (57,980) | 73,164 |
| Loss for the year | - | - | - | - | (4,910) | (4,910) |
| Fair value gain on available-for-sale financial assets | - | - | - | 583 | - | 583 |
| Total comprehensive income/(loss) for the year | - | - | - | 583 | (4,910) | (4,327) |
| Transfer merger reserve (Note 23) | - | - | (27,187) | - | 27,187 | - |
| Share-based payments | - | - | - | - | 43 | 43 |
| At 30 June 2017 | 19,533 | 87,805 | - | (2,798) | (35,660) | 68,880 |

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Revaluation reserve £'000 | Retained deficit £'000 | Total £'000 |
|--|---------------------------|---------------------------|----------------------------|---------------------------------|------------------------------|----------------|
| At 1 July 2015 | 19,533 | 87,805 | 27,187 | (2,710) | (45,729) | 86,086 |
| Profit for the year | - | - | - | - | 523 | 523 |
| Fair value loss on available-for-sale financial assets | - | - | - | (671) | - | (671) |
| Total comprehensive income/(loss) for the year | - | - | - | (671) | 523 | (148) |
| Share-based payments | - | - | - | - | 58 | 58 |
| At 30 June 2016 | 19,533 | 87,805 | 27,187 | (3,381) | (45,148) | 85,996 |
| Loss for the year | - | - | - | - | (1,882) | (1,882) |
| Fair value gain on available-for- sale financial assets | - | - | - | 583 | - | 583 |
| Total comprehensive income/(loss) for the year | - | - | - | 583 | (1,882) | (1,299) |
| Transfer merger reserve (Note 23) | - | - | (27,187) | - | 27,187 | - |
| Share-based payments | - | - | - | - | 43 | 43 |
| At 30 June 2017 | 19,533 | 87,805 | - | (2,798) | (19,800) | 84,740 |

GROUP AND COMPANY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | Group | | Company | |
|---|-------|----------------|-----------------|----------------|-----------------|
| | | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Cashflows from operating activities | | | | | |
| Continuing activities | 25 | (464) | (10,581) | (2,605) | (10,739) |
| Taxation credit | | 56 | 45 | - | - |
| Net cash used in operating activities | | (408) | (10,536) | (2,605) | (10,739) |
| Cash flow from investing activities | | | | | |
| Interest received | | 271 | 132 | 24 | 102 |
| Acquisition of exploration and evaluation assets | | (1,164) | (1,490) | - | - |
| Proceeds from available-for-sale financial assets | | 10 | 32 | 10 | 32 |
| Acquisition of property, plant and equipment: development and production | | (725) | (621) | - | - |
| Acquisition of property, plant and equipment: other | | (47) | (21) | (43) | (21) |
| Net cash (used in)/generated by investing activities | | (1,655) | (1,968) | (9) | 113 |
| Cash flow from financing activities | | | | | |
| Interest paid | | (8) | (29) | (1) | - |
| Repayments of loans and borrowings | | - | (438) | - | - |
| Net cash used in financing activities | | (8) | (467) | (1) | - |
| Net decrease in cash and cash equivalents | | (2,071) | (12,971) | (2,615) | (10,626) |
| Cash and cash equivalents at beginning of year | | 28,288 | 41,121 | 15,492 | 26,069 |
| Effect of foreign exchange rate differences | | 179 | 138 | 12 | 49 |
| Cash and cash equivalents at end of year | | 26,396 | 28,288 | 12,889 | 15,492 |

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2017 were authorised for issue by the Board of Directors on 16 November 2017 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. 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 and Company 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 and Company financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain fair value adjustments required by those accounting policies.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017.

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.

2. ACCOUNTING POLICIES continued

Joint arrangements

Under IFRS 11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group's interest in joint operations (e.g. exploration and production arrangements) are accounted for by recognising its assets (including its share of assets held jointly), its liabilities (including its share of liabilities incurred jointly), its share of revenue from the sale of output by the joint operation and its expenses (including its share of any expenses incurred jointly).

A complete list of the Group's Joint Arrangements accounted for as joint operations is provided in Note 29.

Revenue recognition

Oil and Gas exploration and production

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.

Energy Economics

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 or it is not possible to determine technical feasibility or if the legal right to explore expires or if the Company decides not to continue exploration and evaluation activity, then the E&E asset is written off to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS **continued**

2. ACCOUNTING POLICIES continued

Impairment

The Group's oil and gas assets are organised 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 in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", and when circumstances arise which indicate that the carrying value of an E&E asset exceeds the recoverable amount. When reviewing E&E assets for impairment, the combined carrying value of the grouped CGU is compared with the grouped CGU's recoverable amount. The recoverable amount of a grouped CGU is determined as the higher of its fair value less costs to sell and value in use. Impairment losses resulting from an impairment review are reflected in the statement of profit or loss.

Oil and gas expenditure – development and production assets

Capitalisation

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

Depreciation

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

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

- › recoverable reserves; and
- › future capital expenditure

Impairment

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

The future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a post-tax discount rate. The discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located, although other rates may be used if appropriate to the specific circumstances. In 2017 the rate used was 8% (2016: 8%). The discount rates applied in assessments of impairment are reassessed each year.

See Note 13 for the carrying value of oil and gas assets.

2. ACCOUNTING POLICIES continued

Key assumptions used in the value-in-use calculations

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

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

Production volumes/recoverable reserves

Annual estimates of oil and gas reserves are generated internally by the Group's 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.

Commodity prices

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

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 discount rate of 8% for the current year (2016: 8%).

Sensitivity to changes in assumptions

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

The Board recognises that the reduction in global oil prices has had a consequential adverse impact on the revenue and cash flow of the Group in the current financial year. If this was sustained in the medium-to-long term this could have a further impact on the financial statements. At all times the Board actively manages its committed expenditure, including short-term working capital and cash flow requirements to sustain the Group through periods of reduced hydrocarbon prices.

NOTES TO THE FINANCIAL STATEMENTS **continued**

2. ACCOUNTING POLICIES continued

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 20 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.

2. ACCOUNTING POLICIES continued

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

When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of cash and cash equivalents, 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 in the month of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. ACCOUNTING POLICIES *continued*

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

Pensions

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

Share based payments

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

Equity-settled transactions

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

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

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

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

The fair value of the share options granted has been calculated using the Black-Scholes-Merton model. The key inputs into the model include share volatility, expected dividend yield, and risk free rate (Note 24).

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 beneficiaries can purchase shares in the Group. Assets and liabilities of the Employee Benefit Trust are included in the Group statement of financial position, except as disclosed in Note 21. 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.

2. ACCOUNTING POLICIES continued

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.

NOTES TO THE FINANCIAL STATEMENTS **continued**

2. ACCOUNTING POLICIES continued

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 unit's (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: 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.

2. ACCOUNTING POLICIES continued

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. ACCOUNTING POLICIES *continued*

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. Any cash balance held where the use is restricted for a specific purpose or future event will be separately noted as “restricted cash” and details provided to explain the restriction.

Trade receivables

Trade receivables are initially stated at 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

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.

2. ACCOUNTING POLICIES continued

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

New IFRS accounting standards and interpretations adopted in the year

The following standards, amendments and interpretations are new and effective for the year ended 30 June 2017 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities.

- › IFRS 11 (revised) Acquisition of an Interest in a Joint Operation effective 1 January 2016
- › IAS 27 (revised) Separate Financial Statements effective 1 January 2016
- › IAS 1 (revised) Presentation of Financial Statements effective 1 January 2016
- › IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 effective from 1 January 2016
- › Annual improvements to IFRSs 2012-2014 cycle effective from 1 January 2016
- › IFRS 7 Financial Instruments: Disclosures effective from 1 January 2016

New IFRS accounting standards and interpretations not yet effective

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

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

- › IFRS 15 Revenue from Contracts with Customers effective 1 January 2018
- › IFRS 9 Financial Instruments effective 1 January 2018
- › IFRS 16 Leases effective from 1 January 2019
- › Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses effective from 1 January 2017
- › Amendment to IAS 7 Disclosure Initiative effective from 1 January 2017
- › Amendment to IFRS 2 classifications and measurement of share based payments effective from 1 January 2018
- › Annual improvements to IFRSs 2014-2016 cycle effective from 1 January 2017

NOTES TO THE FINANCIAL STATEMENTS *continued*

3. REVENUE

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| An analysis of the Group's revenue is as follows: | | |
| Oil sales | – | 5,821 |
| Gas sales | 2,952 | 3,463 |
| Condensate sales | 21 | 6 |
| Rendering of energy economics services | 1,039 | 1,151 |
| Rendering of other services | 125 | – |
| Total revenue | 4,137 | 10,441 |

4. OPERATING LOSS

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| The operating loss is stated after charging/(crediting): | | |
| Pre-award exploration expenditure | 178 | 153 |
| Exploration expenditure written off | 2,424 | 478 |
| Depreciation of property, plant and equipment | 667 | 2,724 |
| Share based payment/(credit) (Note 24) | 654 | (1,359) |
| Operating lease rentals: other | 302 | 303 |
| Foreign exchange gain | (141) | (118) |

5. AUDITOR'S REMUNERATION

The Group paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Group:

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Audit fees payable to the auditor for the audit of the Company's annual financial statements | 56 | 45 |
| Audit of the Company's subsidiaries | 23 | 33 |
| Total audit fees | 79 | 78 |
| Tax services | – | 15 |
| Other services | 9 | 17 |
| Total non-audit fees | 9 | 32 |
| Total audit and non-audit fees | 88 | 110 |

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

| Year ended 30 June 2017 | Oil and Gas Exploration and Production £'000 | Energy Economics £'000 | Adjustments and Eliminations £'000 | Consolidated £'000 |
|-------------------------------|---|------------------------------|--|-----------------------|
| Revenue | | | | |
| External customer | 3,098 | 1,039 | – | 4,137 |
| Total revenue | 3,098 | 1,039 | – | 4,137 |
| Results | | | | |
| Operating (loss)/profit | (4,113) | 278 | – | (3,835) |
| Finance income | 279 | 2 | – | 281 |
| Finance costs | (748) | (1) | – | (749) |
| Segment (loss)/profit | (4,582) | 279 | – | (4,303) |
| Operating assets | 78,861 | 4,981 | (1,685) | 82,157 |
| Operating liabilities | (14,858) | (104) | 1,685 | (13,277) |
| Other disclosures | | | | |
| Capital expenditure | 1,934 | 2 | – | 1,936 |
| Depreciation and amortisation | 667 | – | – | 667 |

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

NOTES TO THE FINANCIAL STATEMENTS *continued*

6. OPERATING SEGMENT INFORMATION *continued*

| Year ended 30 June 2016 | Oil and Gas Exploration and Production £'000 | Energy Economics £'000 | Adjustments and eliminations £'000 | Consolidated £'000 |
|-------------------------------|---|------------------------------|--|-----------------------|
| Revenue | | | | |
| External customer | 9,290 | 1,151 | – | 10,441 |
| Total revenue | 9,290 | 1,151 | – | 10,441 |
| Results | | | | |
| Operating loss | (6,151) | 335 | – | (5,816) |
| Finance income | 159 | 5 | – | 164 |
| Finance costs | (764) | (2) | – | (766) |
| Segment loss | (6,756) | 338 | – | (6,418) |
| Operating assets | 84,011 | 4,747 | (1,276) | 87,482 |
| Operating liabilities | (15,445) | (149) | 1,276 | (14,318) |
| Other disclosures | | | | |
| Capital expenditure | 2,132 | – | – | 2,132 |
| Depreciation and amortisation | 2,721 | 3 | – | 2,724 |

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

Included in revenues arising from the sale of oil and gas exploration and production are revenues of £2,952,000 (2016: £5,821,000) which arose from the Group's largest customer.

Geographic information

Revenues from external customers

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Europe | 3,424 | 9,628 |
| North America | 480 | 611 |
| Rest of the World | 233 | 202 |
| Total revenue per Group statement of profit or loss | 4,137 | 10,441 |

The revenue information is based on the location of the customer. Included in revenues from Europe were sales in the Netherlands of £2,973,000 (2016: £3,469,000) and sales in the United Kingdom of £246,000 (2016: £5,873,000).

6. OPERATING SEGMENT INFORMATION continued

Non-current assets

| | 2017 £'000 | 2016 £'000 | 2015 £'000 |
|-------------------|---------------|---------------|---------------|
| Europe | 51,604 | 54,879 | 54,660 |
| North America | – | – | – |
| Rest of the World | – | – | – |
| Total | 51,604 | 54,879 | 54,660 |

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 | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Wages and salaries | 1,562 | 1,652 |
| Social security costs | 190 | 251 |
| Other pension costs | 83 | 82 |
| Staff costs (before share based payments) | 1,835 | 1,985 |
| Charge/(credit) for share based payments (Note 24) | 654 | (1,359) |
| Total staff costs | 2,489 | 626 |

Total staff costs include a charge in respect of a non-cash revaluation of share appreciation rights (SARs) and share based payments totalling £654,000 (2016: credit £1,359,000). The SARs are settled by cash and are therefore revalued with the movement in share price. The valuation was impacted by the decline in share price between 30 June 2016 and 30 June 2017.

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

| | 2017 No. | 2016 No. |
|-----------------------------|-------------|-------------|
| Management and consultants | 10 | 10 |
| Technical | 4 | 3 |
| Admin, project & IT support | 7 | 12 |
| | 21 | 25 |

NOTES TO THE FINANCIAL STATEMENTS *continued*

8. DIRECTORS' EMOLUMENTS

| | | |
|---|--------------|-------|
| Directors remuneration in aggregate comprised: | 2017 | 2016 |
| | £'000 | £'000 |
| Aggregate emoluments | 781 | 800 |
| Company pension contributions to money purchase schemes | 9 | 8 |
| | 790 | 808 |

During the year one (2016: one) Director accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £9,000 (2016: £8,000).

No director exercised share appreciation rights in the period (2016: nil). No director exercised share options in the period (2016: nil).

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

| | Salaries and Fees £'000 | Benefits in Kind £'000 | Pension £'000 | Total 2017 £'000 | Total 2016 £'000 |
|---------------|-------------------------------|------------------------------|------------------|------------------------|------------------------|
| T P Cross | 506 | 3 | – | 509 | 509 |
| R A Stroulger | 80 | – | 9 | 89 | 88 |
| C J Percival | 151 | 1 | – | 152 | 171 |
| P J Dayer | 20 | – | – | 20 | 20 |
| D I Rawlinson | 20 | – | – | 20 | 20 |
| Total | 777 | 4 | 9 | 790 | 808 |

T P Cross participated in the share appreciation rights (SARs) arrangements for senior management, details of which are provided in Note 24. No SARs were exercised in the year.

Details of outstanding SARs held by each director as at 30 June 2017:

| | Number of SARs outstanding | Exercise price | Date from which exercisable | Expiry date |
|-----------|-------------------------------|-------------------|--------------------------------|------------------|
| T P Cross | 901,534 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 901,534 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,065,800 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,065,800 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,245,000 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,245,000 | £0.41 | 21 December 2016 | 21 December 2025 |

8. DIRECTORS' EMOLUMENTS continued

Details of outstanding SARs held by each director as at 30 June 2016:

| | Number of SARs outstanding | Exercise price | Date from which exercisable | Expiry date |
|-----------|----------------------------|----------------|-----------------------------|------------------|
| T P Cross | 901,534 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 901,534 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,065,800 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,065,800 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,245,000 | £0.41 | 21 December 2016 | 21 December 2025 |
| T P Cross | 1,245,000 | £0.41 | 21 December 2016 | 21 December 2025 |

Details of outstanding share options held by directors as at 30 June 2017:

| | Number of share options outstanding | Exercise price | Date from which exercisable | Expiry date |
|-------------|-------------------------------------|----------------|-----------------------------|------------------|
| C Percival | 173,333 | £0.41 | 21 December 2018 | 21 December 2025 |
| C Percival | 71,333 | £0.41 | 21 December 2018 | 21 December 2025 |
| R Stroulger | 10,000 | £0.41 | 21 December 2018 | 21 December 2025 |
| C Percival | 75,133 | £0.41 | 21 December 2018 | 21 December 2025 |
| R Stroulger | 66,267 | £0.41 | 21 December 2018 | 21 December 2025 |
| R Stroulger | 233,333 | £0.41 | 21 December 2018 | 21 December 2025 |

Details of outstanding share options held by directors as at 30 June 2016:

| | Number of share options outstanding | Exercise price | Date from which exercisable | Expiry date |
|-------------|-------------------------------------|----------------|-----------------------------|------------------|
| C Percival | 173,333 | £0.41 | 21 December 2018 | 21 December 2025 |
| C Percival | 71,333 | £0.41 | 21 December 2018 | 21 December 2025 |
| R Stroulger | 10,000 | £0.41 | 21 December 2018 | 21 December 2025 |
| C Percival | 75,133 | £0.41 | 21 December 2018 | 21 December 2025 |
| R Stroulger | 66,267 | £0.41 | 21 December 2018 | 21 December 2025 |
| R Stroulger | 233,333 | £0.41 | 21 December 2018 | 21 December 2025 |

I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non-Executive Directors, details of which are provided in Note 24. 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*

9. FINANCE INCOME

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Bank interest receivable | 47 | 132 |
| Other interest received | 224 | – |
| Gain on available for sale financial assets | 10 | 32 |
| | 281 | 164 |

10. FINANCE COSTS

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Unwinding of discount on decommissioning provision | 741 | 733 |
| Interest payable on loans and borrowings | 8 | 33 |
| | 749 | 766 |

11. TAXATION

a) Income tax

The major components of income tax expense for the years ended 30 June 2017 and 2016 are:

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Current tax: | | |
| Corporation tax | – | – |
| Adjustments in respect of current income tax of previous periods | – | – |
| Overseas current taxation | 607 | 35 |
| Total current income tax | 607 | 35 |
| Deferred tax: | | |
| Origination and reversal of timing differences | – | 239 |
| Total deferred income tax charge | – | 239 |
| Income tax expense reported in the statement of profit or loss | 607 | 274 |

Tax has been calculated using an estimated annual effective rate of 40% (2016: 30%) on profit before tax.

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

11. TAXATION continued

b) Reconciliation of total income tax charge

| | 2017 £'000 | 2016 £'000 |
|--|----------------|---------------|
| Loss on ordinary activities before tax | (4,303) | (6,418) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 40% (2016: 30%) | (1,721) | (1,925) |
| Effects of: | | |
| Capital allowances in excess of depreciation | – | (591) |
| Expenses not deductible for tax purposes | (2) | (106) |
| Income not taxable | 9 | – |
| Profits taxed outside ring-fence | 325 | (86) |
| Utilisation of tax losses and other deductions | – | (155) |
| Tax losses not utilised | 309 | – |
| Ring-fenced tax losses not utilised | 1,080 | 3,102 |
| Overseas tax suffered | 607 | 35 |
| Total tax expense for the year | 607 | 274 |

c) Deferred income taxation

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

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Deferred tax asset | | | | |
| At 1 July | 3 | 242 | – | – |
| Income statement credit/(charge) | – | (239) | – | – |
| At 30 June | 3 | 3 | – | – |
| Deferred tax liability | | | | |
| At 1 July | 1,284 | 1,284 | – | – |
| Tax income recognised in the statement of profit or loss | – | – | – | – |
| At 30 June | 1,284 | 1,284 | – | – |

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. TAXATION *continued*

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

| | Group | | Company | |
|--------------------------------|----------------|----------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Deferred tax asset | | | | |
| Accelerated capital allowances | 3 | 3 | - | - |
| | 3 | 3 | - | - |
| Deferred tax liability | | | | |
| Accelerated capital allowances | - | - | - | - |
| Fair value gains | (1,284) | (1,284) | - | - |
| | (1,284) | (1,284) | - | - |
| Deferred tax liability, net | (1,281) | (1,281) | - | - |

d) Tax losses

Deferred income tax assets are recognised for the carry-forward of unused tax losses to the extent that it is probable that taxable profits will be available against which the unused tax losses can be utilised.

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses, unclaimed capital allowances, capital losses and unrealised capital losses where there is insufficient evidence that the asset will be recovered. The amount of ring fenced trading losses available are £113.2 million (2016: £85.4 million), non-ring fenced trading losses available are £1.2 million (2016: £1.2 million), excess management expenses available are £32.5 million (2016: £33.6 million), capital losses available are £71.6 million (2016: £71.9 million) and unrealised capital losses on available-for-sale financial assets of £3 million (2016: £3 million).

12. LOSS PER SHARE

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

| | 2017 | 2016 |
|--|----------------|---------|
| Loss per 1.5p ordinary share from continuing operations (pence) | | |
| Basic | (4.96)p | (6.76)p |
| Diluted | (4.96)p | (6.76)p |

The calculations were based on the following information:

| | 2017 £'000 | 2016 £'000 |
|---|-------------------|---------------|
| Loss attributable to ordinary shareholders | | |
| Continuing operations | (4,910) | (6,692) |
| Total | (4,910) | (6,692) |
| Weighted average number of shares in issue | | |
| Basic weighted average number of shares | 98,929,160 | 98,929,160 |
| Dilutive potential ordinary shares | | |
| Share options | - | - |

Loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year.

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. When the group makes a loss the outstanding share options are therefore anti-dilutive and so are not included in dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS *continued*

13. PROPERTY, PLANT AND EQUIPMENT

| Group | Development and production £'000 | Short leasehold property £'000 | Fixtures, fittings and computer equipment £'000 | Total £'000 |
|-------------------------------------|-------------------------------------|-----------------------------------|--|----------------|
| Cost | | | | |
| At 1 July 2016 | 49,050 | 2 | 549 | 49,601 |
| Additions | 725 | – | 47 | 772 |
| Disposals | – | – | (26) | (26) |
| Abandonment asset | (2,118) | – | – | (2,118) |
| At 30 June 2017 | 47,657 | 2 | 570 | 48,229 |
| Depreciation | | | | |
| At 1 July 2016 | 31,064 | 1 | 475 | 31,540 |
| Depreciation charged in the year | 600 | – | 67 | 667 |
| Depreciation eliminated on disposal | – | – | (26) | (26) |
| At 30 June 2017 | 31,664 | 1 | 516 | 32,181 |
| Net book amount | | | | |
| At 30 June 2017 | 15,993 | 1 | 54 | 16,048 |
| At 30 June 2016 | 17,986 | 1 | 74 | 18,061 |

Abandonment asset

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

Asset Impairment – Athena

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

Production at the Athena field was shut-in in January 2016. The Group has assumed a redevelopment of the remaining reserves in the field over a longer term period in order to achieve the existing carrying value of £11,110,000 in respect of the Athena asset. Such redevelopment would require a recovery in oil price and the procurement of additional financing. The following key assumptions were applied over the expected remaining life of the field:

| | Discount Rate | Short term price assumption (Oil) (5 Years) | Long-term price assumption (Oil) |
|--------|---------------|---|----------------------------------|
| Athena | 8% | \$49-\$66 | \$71/bbl |

Based on these assumptions the current recoverable amount exceeds the existing carrying value and no impairment is required. The key sensitivities in assessing the recoverable amount are the long-term oil price and future production assumed. If these assumptions are not met, further impairment may be required. A reduction of 20% in long-term oil price would impact the existing carrying value by c. £1.1 million. A reduction of 20% in production would not impact the existing carrying value.

13. PROPERTY, PLANT AND EQUIPMENT continued

| Company | Short leasehold property £'000 | Fixtures, fittings and computer equipment £'000 | Total £'000 |
|----------------------------------|--------------------------------------|--|----------------|
| Cost | | | |
| At 1 July 2016 | 2 | 449 | 451 |
| Additions | – | 43 | 43 |
| At 30 June 2017 | 2 | 492 | 494 |
| Depreciation | | | |
| At 1 July 2016 | 1 | 375 | 376 |
| Depreciation charged in the year | – | 66 | 66 |
| At 30 June 2017 | 1 | 441 | 442 |
| Net book amount | | | |
| At 30 June 2017 | 1 | 51 | 52 |
| At 30 June 2016 | 1 | 74 | 75 |

The comparable table for 2016 is detailed below:

| Group | Development and production £'000 | Short leasehold property £'000 | Fixtures, fittings and computer equipment £'000 | Total £'000 |
|----------------------------------|--|--------------------------------------|--|----------------|
| Cost | | | | |
| At 1 July 2015 | 47,142 | 2 | 528 | 47,672 |
| Additions | 621 | – | 21 | 642 |
| Abandonment asset | 1,287 | – | – | 1,287 |
| At 30 June 2016 | 49,050 | 2 | 549 | 49,601 |
| Depreciation | | | | |
| At 1 July 2015 | 28,425 | – | 391 | 28,816 |
| Depreciation charged in the year | 2,639 | 1 | 84 | 2,724 |
| At 30 June 2016 | 31,064 | 1 | 475 | 31,540 |
| Net book amount | | | | |
| At 30 June 2016 | 17,986 | 1 | 74 | 18,061 |
| At 30 June 2015 | 18,717 | 2 | 137 | 18,856 |

NOTES TO THE FINANCIAL STATEMENTS *continued*

13. PROPERTY, PLANT AND EQUIPMENT *continued*

Abandonment asset

The abandonment asset adjustment above reflects the increase in cost estimate as a result of increased equity share in the Athena field.

| Company | Short leasehold property £'000 | Fixtures, fittings and computer equipment £'000 | Total £'000 |
|----------------------------------|--------------------------------------|--|----------------|
| Cost | | | |
| At 1 July 2015 | 2 | 428 | 430 |
| Additions | – | 21 | 21 |
| At 30 June 2016 | 2 | 449 | 451 |
| Depreciation | | | |
| At 1 July 2015 | – | 295 | 295 |
| Depreciation charged in the year | 1 | 80 | 81 |
| At 30 June 2016 | 1 | 375 | 376 |
| Net book amount | | | |
| At 30 June 2016 | 1 | 74 | 75 |
| At 30 June 2015 | 2 | 133 | 135 |

14. INTANGIBLE ASSETS

| Year ended 30 June 2017 | Exploration and Evaluation assets £'000 | Other intangible assets £'000 | Goodwill £'000 | Total £'000 |
|------------------------------------|---|-------------------------------------|-------------------|----------------|
| Cost | | | | |
| At 1 July 2016 | 34,642 | 246 | 2,174 | 37,062 |
| Additions | 1,164 | – | – | 1,164 |
| Exploration write-off | (2,424) | – | – | (2,424) |
| At 30 June 2017 | 33,382 | 246 | 2,174 | 35,802 |
| Amortisation and impairment | | | | |
| At 1 July 2016 | – | 246 | – | 246 |
| At 30 June 2017 | – | 246 | – | 246 |
| Net book amount | | | | |
| At 30 June 2017 | 33,382 | – | 2,174 | 35,556 |
| At 30 June 2016 | 34,642 | – | 2,174 | 36,816 |

Other intangibles include development costs and contract and customer relationships.

14. INTANGIBLE ASSETS continued

The comparable table for 2016 is detailed below:

| | Exploration and Evaluation assets £'000 | Other intangible assets £'000 | Goodwill £'000 | Total £'000 |
|------------------------------------|---|-------------------------------------|-------------------|----------------|
| Cost | | | | |
| At 1 July 2015 | 33,630 | 246 | 2,174 | 36,050 |
| Additions | 1,490 | – | – | 1,490 |
| Exploration write-off | (478) | – | – | (478) |
| At 30 June 2016 | 34,642 | 246 | 2,174 | 37,062 |
| Amortisation and impairment | | | | |
| At 1 July 2015 | – | 246 | – | 246 |
| At 30 June 2016 | – | 246 | – | 246 |
| Net book amount | | | | |
| At 30 June 2016 | 34,642 | – | 2,174 | 36,816 |
| At 30 June 2015 | 33,630 | – | 2,174 | 35,804 |

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:

| | 2017 £'000 | 2016 £'000 |
|------------------|---------------|---------------|
| Energy Economics | 2,174 | 2,174 |
| | 2,174 | 2,174 |

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 30 years. Goodwill on the purchase of Aupec Limited is attributable to the value of the assembled professional team in place acquired with this business as well as the Company’s relationships with a number of blue-chip energy companies.

The Group test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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

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 8%. Management estimated the discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the market in which the Energy Economics CGU operates.

Cashflows have been extrapolated for a further 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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

14. INTANGIBLE ASSETS *continued*

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 2017 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £799,000. If revenues fell from the assumed level by 11% 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.

15. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

| Company | Subsidiary and joint venture undertakings £'000 |
|------------------------------------|--|
| Cost or valuation | |
| At 1 July 2016 | 57,100 |
| Disposals | (33,178) |
| At 30 June 2017 | 23,922 |
| Amortisation and impairment | |
| At 1 July 2016 | 32,075 |
| Impairment of subsidiary | 1,103 |
| Eliminated on disposal | (33,178) |
| At 30 June 2017 | - |
| Net book amount | |
| At 30 June 2017 | 23,922 |
| At 30 June 2016 | 25,025 |

15. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES continued

The comparable table for 2016 is detailed below:

| Company | Subsidiary and joint venture undertakings £'000 |
|------------------------------------|--|
| Cost or valuation | |
| At 1 July 2015 | 31,310 |
| Additions | 25,790 |
| At 30 June 2016 | 57,100 |
| Amortisation and impairment | |
| At 1 July 2015 | 14,670 |
| Impairment of subsidiary | 17,405 |
| At 30 June 2016 | 32,075 |
| Net book amount | |
| At 30 June 2016 | 25,025 |
| At 30 June 2015 | 16,640 |

Since 2016, the Company has embarked on a Group reorganisation to simplify the Group's corporate structure by reducing the number of Group companies to minimise the associated administration, compliance and management burden and to rationalise the Group's interests in its oil and gas licences to meet its commercial objectives.

In 2017, the Company recognised as part of the reorganisation of the Group, an impairment on the investment in one of its subsidiaries, Lochard Energy Group Limited ("Lochard") of £1,103,000.

In 2017, the Company wrote off as part of the reorganisation, its investment in Lochard Energy Group Limited of £20,460,000 and its investment in DEO Petroleum Limited of £12,718,000.

In 2016, the Company recognised as part of the reorganisation of the Group, a share subscription of £5,790,000 in one of its subsidiaries, Lochard. The Company recognised as part of the reorganisation of the Group, a loan capitalisation of £20,000,000 in one of its subsidiaries, Parkmead (E&P) Limited in the financial period, following a transfer of assets to Parkmead (E&P) Limited from other subsidiaries in the Group.

In 2016, the Company recognised as part of the reorganisation of the Group, an impairment on the investment in one of its subsidiaries, DEO Petroleum Limited ("DEO") of £12,718,000 and a further impairment in Lochard of £4,687,000.

NOTES TO THE FINANCIAL STATEMENTS *continued*

15. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES *continued*

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

| Name of Undertaking | Class of Holding | Interest in subsidiary/ joint venture | Nature of Business |
|--------------------------------|------------------|--|---|
| Registered in Scotland: | | | |
| Aupec Limited | Ordinary | 100% | Energy advisory and consulting services |
| Parkmead (E&P) Limited | Ordinary | 100% | Oil & gas exploration and production |
| Registered in England: | | | |
| Lochard Energy Group Limited | Ordinary | 100% | Dormant |

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

The registered office of Lochard Energy Group Limited is located at 6 St Andrew Street, London, EC4A 3AE.

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

The Group commenced the process of streamlining the number of subsidiaries required within the Group. On 2 August 2016, DEO Petroleum Limited, DEO Petroleum Exploration Limited and DEO Petroleum U.K. Limited were dissolved. On 2 May 2017, Lochard Energy Limited and Zeus Petroleum Limited were dissolved.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|----------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Fair value | | | | |
| At 1 July | 2,644 | 3,315 | 2,644 | 3,315 |
| Gain/(loss) on revaluation | 583 | (671) | 583 | (671) |
| At 30 June | 3,227 | 2,644 | 3,227 | 2,644 |

Available-for-sale financial assets comprise the following:

| | Group | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Quoted Equity shares | | | | |
| Equity shares – UK | 3,227 | 2,644 | 3,227 | 2,644 |
| Unquoted equity shares | | | | |
| Equity shares – UK | – | – | – | – |
| | 3,227 | 2,644 | 3,227 | 2,644 |

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS continued

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:

| | 2017 £'000 | 2016 £'000 |
|----------------|---------------|---------------|
| Pound Sterling | 3,227 | 2,644 |
| | 3,227 | 2,644 |

17. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Current assets | | | | |
| Trade receivables | 442 | 212 | - | - |
| Less: provision for impairment of trade receivables | - | (42) | - | - |
| Trade receivables - net | 442 | 170 | - | - |
| Receivables due from group companies | - | - | 46,919 | 45,129 |
| Other receivables | 67 | 882 | - | 127 |
| Prepayments and accrued income | 418 | 423 | 114 | 111 |
| | 927 | 1,475 | 47,033 | 45,367 |

NOTES TO THE FINANCIAL STATEMENTS *continued*

17. TRADE AND OTHER RECEIVABLES *continued*

Current assets

Trade receivables

Trade receivables are non-interest bearing and generally have a 30 – 60 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 £nil (2016: £41,000) was due from the Group's largest customer. There are four (2016: five) 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 2017, trade receivables of £nil (2016: £nil) were three months past due but not impaired.

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

| | 2017 £'000 | 2016 £'000 |
|--------------------------------------|---------------|---------------|
| At 1 July | 42 | – |
| Amounts written off in the year | (42) | – |
| Provision for receivables impairment | – | 42 |
| At 30 June | – | 42 |

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

| | Group | | Company | |
|------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Pound Sterling | 364 | 774 | 47,033 | 45,367 |
| Other currencies | 563 | 701 | – | – |
| | 927 | 1,475 | 47,033 | 45,367 |

Receivables due from group companies

The Company considers that the amounts included in receivables due from group companies will prove recoverable. However, the timing of and the ultimate repayment of these amounts will depend primarily on the growth of revenues for the relevant group companies. Currently, the Company expects the amounts to be repaid over a number of years.

18. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Unrestricted cash in bank accounts | 19,210 | 20,107 | 12,889 | 15,492 |
| Restricted cash | 7,186 | 8,181 | – | – |
| | 26,396 | 28,288 | 12,889 | 15,492 |

The restricted cash relates to amounts held in trust as security for future decommissioning liabilities under a standard Decommissioning Security Agreement (DSA) covering the Athena asset.

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.

19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Current liabilities | | | | |
| Trade payables | 395 | 586 | 248 | 110 |
| Amounts owed to group companies | – | – | 308 | 1,226 |
| Other taxes and social security costs | 49 | 71 | 41 | 60 |
| Accruals and deferred income | 1,920 | 1,871 | 1,718 | 1,185 |
| | 2,364 | 2,528 | 2,315 | 2,581 |

| | Group | | Company | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Non-current liabilities | | | | |
| Accruals and deferred income | 70 | 27 | 68 | 26 |
| | 70 | 27 | 68 | 26 |

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2016: 34 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*

20. DECOMMISSIONING PROVISIONS

| | Development and production costs £'000 | Total £'000 |
|---|--|----------------|
| As at 1 July 2016 | 10,479 | 10,479 |
| New provisions and changes in estimates | (2,118) | (2,118) |
| Unwinding of discount | 741 | 741 |
| As at 30 June 2017 | 9,102 | 9,102 |

The decommissioning provision of £9,102,000 (2016: £10,479,000) 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 15 years. The provision has been estimated using existing technology at current prices, escalated at 2.5% and discounted at 8%. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the production and development facilities. In addition, the costs of decommissioning are subject to inflationary and deflationary charges in the service costs of third parties.

The comparable table for 2016 is detailed below:

| | Development and production costs £'000 | Total £'000 |
|---|--|----------------|
| As at 1 July 2015 | 8,482 | 8,482 |
| New provisions and changes in estimates | 1,287 | 1,287 |
| Costs paid in year | (23) | (23) |
| Unwinding of discount | 733 | 733 |
| As at 30 June 2016 | 10,479 | 10,479 |

21. CONTINGENT ASSETS AND LIABILITIES

Contingent assets

Shares were allotted to N P Doran, a former Director of the Company, during 2006 which were funded by a loan of £2,679,000 from the Employee Benefit Trust. £639,000 was repaid in the years to 30 June 2015, leaving a loan outstanding of £2,040,000. 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. During the year to 30 June 2017 a total of £nil (2016: £nil) was repaid by N P Doran following share sales leaving a loan balance outstanding of £2,040,000 (2016: £2,040,000).

Contingent liabilities

The obligation to pay income tax on the above Employee Benefit Trust arrangement 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. 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 maximum potential liability is £281,000 (2016: £281,000) if the shares were sold for nil, although the timing or actual amount of any shortfall is unknown. At 30 June 2017, based on the Company's share price of £0.41 (2016: £0.47) a liability of £183,000 would arise to the Company.

Under the terms of a sale and purchase agreement between Parkmead (E&P) Limited and Dyas B.V., Parkmead (E&P) Limited are 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 is yet to be taken by the joint venture partners, it is uncertain whether the deferred consideration will be paid.

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Financial risk management

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

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

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

Market price risk

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

Listed investments

Some of the Group and Company's investments are in oil & gas exploration companies. Due to the nature of oil and gas exploration the share price of these companies can be volatile and share price movements over short periods of time 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

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Increase or decrease of 5% in equity prices | 161 | 132 |
| Increase or decrease of 25% in equity prices | 807 | 661 |
| Increase or decrease of 50% in equity prices | 1,614 | 1,322 |

Interest rate risk

The Group and Company have exposure to interest rate risk as a result of positive cash balances.

Cash and cash equivalents (which are presented as a single class of asset on the statement of financial position) comprise cash at bank and other short-term deposits and liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value. As detailed in Note 18 some of the cash balance is restricted.

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Floating rate financial assets < 1 year | 26,396 | 28,288 |
| Total | 26,396 | 28,288 |

At 30 June 2017, short-term deposits were earning interest at a weighted average fixed deposit rate of 0.25% (2016: 0.5%). Cash at bank earns interest at floating rates based on the GBP Base Rate. Interest earned at floating rates represents an insignificant risk of change in rates.

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 2017, the Group had two customers that owed the Group more than £50,000.

NOTES TO THE FINANCIAL STATEMENTS *continued*

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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 £442,000 (2016: £212,000). The Group does not hold collateral as security.

Liquidity risk

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

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

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Trade payables and other liabilities | | | | |
| 6 months or less | 2,364 | 2,528 | 2,315 | 2,581 |
| 6-12 months | – | – | – | – |
| More than 1 year | 70 | 27 | 68 | 26 |
| | 2,434 | 2,555 | 2,383 | 2,607 |

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. As a result of the loss in the year the Group's net asset per share decreased to 0.7 pence in 2017 (2016: 0.7 pence)

Currency risk

The Group and Company has exposure to foreign currency risk on trade receivables and cash balances. The currencies giving rise to the risk are United States Dollars and Euros. There are no currency hedging arrangements in place. The value of the Group's financial assets denominated in foreign currencies at 30 June 2017 was £5,373,000 (2016: £2,822,000); Company £4,000 (2016: £3,000). 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 £1,343,000 (2016: £706,000) in the Group; Company £1,000 (2016: £1,000).

The Group is exposed to foreign currency risk on its financial liabilities. The currencies giving rise to the risk are United States Dollars. The value of the Group's financial liabilities denominated in foreign currencies at 30 June 2017 was £10,000 (2016: £19,000). A 25% change in Sterling exchange rate will result in an increase or decrease of £3,000 (2016: £5,000) in the Group.

Fair values of financial assets and liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2017. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

| | 2017 | | 2016 | |
|---|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount £'000 | Fair value £'000 | Carrying amount £'000 | Fair value £'000 |
| Loans and receivables at amortised cost | 927 | 927 | 1,475 | 1,475 |
| Financial liabilities at amortised cost | (2,434) | (2,434) | (2,555) | (2,555) |
| Available-for-sale financial assets at fair value | 3,227 | 3,227 | 2,644 | 2,644 |
| | 1,720 | 1,720 | 1,564 | 1,564 |

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS continued

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 2017:

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|-------------------------------------|------------------|------------------|------------------|----------------|
| Available-for-sale financial assets | 3,227 | – | – | 3,227 |

NOTES TO THE FINANCIAL STATEMENTS *continued*

23. SHARE CAPITAL AND RESERVES

| | Authorised | |
|--------------------------------|---------------------------------|-------------|
| | 2017 No. | 2016 No. |
| Ordinary shares of £0.015 each | 296,750,185 | 296,750,185 |
| Deferred shares of £0.049 each | 368,341,780 | 368,341,780 |
| | 665,091,965 | 665,091,965 |
| | | |
| | £'000 | £'000 |
| Ordinary shares of £0.015 each | 4,451 | 4,451 |
| Deferred shares of £0.049 each | 18,049 | 18,049 |
| | 22,500 | 22,500 |
| | | |
| | Allotted, Called Up and Paid Up | |
| | 2017 No. | 2016 No. |
| Ordinary shares of £0.015 each | 98,929,160 | 98,929,160 |
| Deferred shares of £0.049 each | 368,341,780 | 368,341,780 |
| | 467,270,940 | 467,270,940 |
| | | |
| | £'000 | £'000 |
| Ordinary shares of £0.015 each | 1,484 | 1,484 |
| Deferred shares of £0.049 each | 18,049 | 18,049 |
| | 19,533 | 19,533 |

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 in 2012 and Lochard Energy Group Limited in 2013. The merger reserve was transferred to the retained deficit in 2017 when the two companies were wound up as part of the group reorganisation.

24. 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 2017, 8 employees (2016: 8) held share options.

Share options have been awarded under two different schemes:

- › Unapproved options
- › Unapproved options with vesting conditions

Share appreciation rights – cash settled

Certain key management and staff are awarded share appreciation rights (SARs), to be settled in cash. The fair value of the SARs is measured at each reporting date using the Black-Scholes-Merton model.

The carrying amount of the liability relating to the SARs at 30 June 2017 is £1,653,000 (2016: £953,000).

Deferred share payments – cash settled

I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non-Executive Directors. I Rawlinson and P Dayer each will receive 146,341 shares subject to them fulfilling a three year service commitment. The Company reserves the right, at its sole discretion, to settle the payment in cash and the DSPs have been accounted for as cash-settled transactions. The fair value of the DSPs is measured at each reporting date using the closing share price of The Parkmead Group plc.

The carrying amount of the liability relating to the DSPs at 30 June 2017 is £70,000 (2016: £24,000).

Expense/(credit) arising from share based payments

The expense recognised for employee services received during the year is shown as follows:

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|----------------|
| Equity-settled share based payments | 43 | 58 |
| Cash-settled share based payments | 611 | (1,417) |
| | 654 | (1,359) |

The SARs are settled by cash and are therefore revalued with the movement in share price. No new SARs were issued in the year.

No new share options were issued in the year. In 2016, 977,628 share options were modified. No share options lapsed in 2017 (2016: 200,000).

Movements in the year

The movement in share option awards during the year ended 30 June 2017 is as follows:

| | 2017 | | 2016 | |
|--------------------------|------------------|------------------------------------|-----------|------------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Outstanding at 1 July | 1,177,628 | £0.36 | 1,377,628 | £1.37 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Lapsed | - | - | (200,000) | £1.06 |
| Forfeited | - | - | - | - |
| Outstanding at 30 June * | 1,177,628 | £0.36 | 1,177,628 | £0.36 |
| Exercisable at 30 June | 200,000 | £0.21 | 200,000 | £0.21 |

* 977,628 share options issued to current employees were modified in the prior year with a new exercise price of £0.41 vesting in 3 years.

NOTES TO THE FINANCIAL STATEMENTS *continued*

24. 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 | 2017 | 2016 |
|------------------|----------------|------------------|-----------|
| 1 January 2020 | £0.19 | 133,333 | 133,333 |
| 11 October 2020 | £0.23 | 66,667 | 66,667 |
| 21 December 2025 | £0.41 | 977,628 | 977,628 |
| | | 1,177,628 | 1,177,628 |

The options outstanding at 30 June 2017 had a weighted average remaining contractual life of 7 years (2016: 8 years).

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

| | Share price | Exercise price | Volatility | Vesting period | Expected life | Expected dividend yield | Risk free rate | Fair value |
|---------------|-------------|----------------|------------|----------------|---------------|-------------------------|----------------|------------|
| January 2010 | £0.14 | £0.19 | 69% | 0 years | 10 years | 0% | 3.93% | £0.11 |
| October 2010 | £0.21 | £0.23 | 68% | 3 years | 10 years | 0% | 3.02% | £0.16 |
| December 2015 | £0.41 | £0.41 | 42% | 3 years | 10 years | 0% | 1.94% | £0.19 |

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

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

The movement in SARs during the year ended 30 June 2017 is as follows:

| | 2017 | | 2016 | |
|--------------------------|------------------|---------------------------------|-----------|---------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Outstanding at 1 July | 6,424,668 | £0.41 | 6,424,668 | £1.69 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Lapsed | - | - | - | - |
| Forfeited | - | - | - | - |
| Outstanding at 30 June * | 6,424,668 | £0.41 | 6,424,668 | £0.41 |
| Exercisable at 30 June | - | - | - | - |

* SARs issued to current employees were modified in the prior year with a new exercise price of £0.41 vesting in 1 year.

24. SHARE BASED PAYMENTS continued

The fair value of the SARs granted at 30 June 2017 has been calculated using the Black-Scholes-Merton model. The inputs into the model and resulting fair values were as follows:

| | Number of SARs outstanding | Share price at 30 June 2017 | Exercise price | Volatility | Vesting period | Expected life | Expected dividend yield | Risk free rate |
|---------------|----------------------------|-----------------------------|----------------|------------|----------------|---------------|-------------------------|----------------|
| December 2015 | 6,424,668 | £0.41 | £0.41 | 49% | 1 year | 10 years | 0% | 1.04% |

The fair value of the SARs granted at 30 June 2016 has been calculated using the Black-Scholes-Merton model. The inputs into the model and resulting fair values were as follows:

| | Number of SARs outstanding | Share price at 30 June 2016 | Exercise price | Volatility | Vesting period | Expected life | Expected dividend yield | Risk free rate |
|---------------|----------------------------|-----------------------------|----------------|------------|----------------|---------------|-------------------------|----------------|
| December 2015 | 6,424,668 | £0.47 | £0.41 | 48% | 1 year | 10 years | 0% | 1.18% |

25. NOTES TO THE STATEMENT OF CASHFLOWS

Reconciliation of operating loss to net cash flow from continuing operations

| | Group | | Company | |
|--|----------------|---------------|----------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Operating loss | (3,835) | (5,816) | (1,916) | (12,400) |
| Depreciation | 667 | 2,724 | 66 | 81 |
| Amortisation and exploration write off | 2,424 | 478 | - | - |
| Provision for share based payments | 43 | (674) | 43 | (674) |
| Provision for intercompany receivable | - | - | - | (4,983) |
| Impairment in subsidiary | - | - | - | 17,405 |
| Currency translation adjustments | (179) | (138) | (12) | (49) |
| Decrease/(increase) in receivables | 548 | 4,473 | (1,480) | (8,362) |
| (Decrease)/increase in payables | (132) | (11,605) | 694 | (1,757) |
| Decrease in other provisions | - | (23) | - | - |
| Net cash flow from operations | (464) | (10,581) | (2,605) | (10,739) |

26. 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 | |
|--------------------------|--------------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| Within one year | 284 | 300 |
| Within two to five years | 1,136 | 1,136 |
| More than five years | 382 | 649 |
| | 1,802 | 2,085 |

NOTES TO THE FINANCIAL STATEMENTS **continued**

27. 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 £1,147,000 (2016: £1,352,000). The Parkmead Group plc received dividends from subsidiaries of £nil (2016: £12,788,000).

Any balances outstanding at 30 June 2017 and 2016 in respect of the above transactions are shown in Note 17 and Note 19.

Transactions with Directors

In August 2012, the Company entered into a 10 year lease with Tilestamp Limited, a company where T P Cross is a director and a shareholder. In November 2015, the Company entered into an additional 10 year lease with Tilestamp Limited. Rents charged during the period amounted to £284,000 (2016: £261,000).

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, director of Aupec Limited. Information regarding their compensation is given below in aggregate for each category specified in IAS 24 Related Party Disclosures:

| | 2017 £'000 | 2016 £'000 |
|----------------------------------|---------------|---------------|
| Short-term employee benefits | 783 | 803 |
| Post-employment pension benefits | 95 | 93 |
| Share-based payment transactions | 654 | (1,393) |
| | 1,532 | (497) |

28. POST YEAR END DATE EVENTS

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

The Loan will have a tenor of two years, with a fixed interest rate of 2.5 per cent. and it will be secured over assets held within Energy Management Associates Limited. Energy Management Associates Limited is a company where T P Cross is a director and a shareholder.

As at the date of publishing these accounts £1,300,000 has been lent to Energy Management Associates Limited by The Parkmead Group plc.

Through this facility, The Parkmead Group plc has been granted an exclusive option to join Energy Management Associates Limited in new ventures being evaluated by the company, including interalia potential opportunities relating to renewable energies.

29. JOINTLY CONTROLLED ASSETS

Fields in production or under development as at 30 June 2017:

| Country | Licence | Block Destination | Field Name | Field Operator | Net unit Interest (%) |
|-------------|------------|-------------------|-----------------|----------------------------|-----------------------|
| Netherlands | Andel Va | Andel Va | Brakel | Vermilion Oil & Gas | 15 |
| Netherlands | Andel Va | Andel Va | Wijk en Aalburg | Vermilion Oil & Gas | 15 |
| Netherlands | Drenthe IV | Drenthe IV | Grolloo | Vermilion Oil & Gas | 15 |
| Netherlands | Drenthe V | Drenthe V | Geesbrug | Vermilion Oil & Gas | 15 |
| Netherlands | Drenthe VI | Drenthe VI | Diever West | Vermilion Oil & Gas | 7.5 |
| UK | P.1293 | 14/18b | Athena | Ithaca Energy (UK) Limited | 30 |

Exploration acreage and discoveries as at 30 June 2017:

| Country | Licence | Block Destination | Field Name | Field Operator | Net unit Interest (%) |
|-------------|----------|-------------------|-------------------|------------------------------------|-----------------------|
| Netherlands | Andel Va | Andel Va | Ottoland | Vermilion Oil & Gas Netherlands BV | 15 |
| Netherlands | Andel Vb | Andel Vb | Kerkwijk | Vermilion Oil & Gas Netherlands BV | 7.5 |
| Netherlands | Papekop | Papekop | Papekop | Vermilion Oil & Gas Netherlands BV | 15 |
| UK | P.1242 | 48/1a, 47/5b | Platypus | Dana Petroleum (E&P) Limited | 15 |
| UK | P.1566 | 47/4d, 47/5d | Pharos | Hansa Hydrocarbons | 30.77 |
| UK | P.2209 | 42/19, 20b | Farne | Parkmead (E&P) Limited | 50 |
| UK | P.2296 | 205/13 | Sanda North/South | Parkmead (E&P) Limited | 100 |
| UK | P.218 | 15/21a | Perth | Parkmead (E&P) Limited | 60.05 |
| UK | P.218 | 15/21a | Dolphin/Sigma | Parkmead (E&P) Limited | 60.05 |
| UK | P.588 | 15/21b, 21c | Perth | Parkmead (E&P) Limited | 60.05 |
| UK | P.2154 | 14/25a | Scapa | Parkmead (E&P) Limited | 60.05 |
| UK | P.2156 | 15/11, 16f | Fynn/Penny | Parkmead (E&P) Limited | 25 |
| UK | P.2218 | 20c, 4a | Polecat/Marten | Parkmead (E&P) Limited | 100 |
| UK | P.1944 | 14/20e | Fynn | Parkmead (E&P) Limited | 25 |

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