PARKMEAD GROUP

STRONG GROWTH THROUGH BALANCED OPERATIONS

ANNUAL REPORT 2018

The Parkmead Group is an independent, UK and Netherlands focused business with four operating areas. Its shares are 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 it holds significant oil and gas interests spanning its 28 exploration and production blocks under licence.

parkmeadgroup.com **@parkmeadgroup**

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DELIVERING RESULTS

"Strong growth resulting from experienced portfolio management and a consistent focus on capital discipline."

Tom Cross
Executive Chairman

HIGHLIGHTS

£7.0m
OF REVENUE (UP 70%)

+242%
INCREASE IN GROSS PROFIT (£4.1 MILLION)

101.8mmboe
OF 2C RESOURCES (UP 64%)

+67%
INCREASE IN 2P RESERVES (TO 46.3 mmboe)

"2018 was an excellent year which saw Parkmead progress its strategy to build a balanced, independent business of breadth and scale."

Tom Cross
Executive Chairman

CHAIRMAN'S STATEMENT

2018 has been an excellent year of progress for Parkmead. Building on the strong foundations established in recent years, the Group significantly increased its revenue by 70% and more than trebled gross profit thanks to outstanding success at the Diever West gas field. This is an important achievement for Parkmead, creating momentum with which to continue its growth.

This year Parkmead secured additional equity in the Greater Perth Area ("GPA") which increased the Group's 2P reserves by 67% to 46.3 million barrels of oil equivalent ("MMBoe"). The Group also won considerable new acreage in the UK 30th Licensing Round through the award of nine new oil and gas blocks. This further expands and diversifies Parkmead's asset portfolio.

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

Operations and Portfolio Growth

Parkmead has continued to make progress towards building a balanced, independent business of breadth and scale, by developing its current portfolio and increasing its asset base through acquisitions.

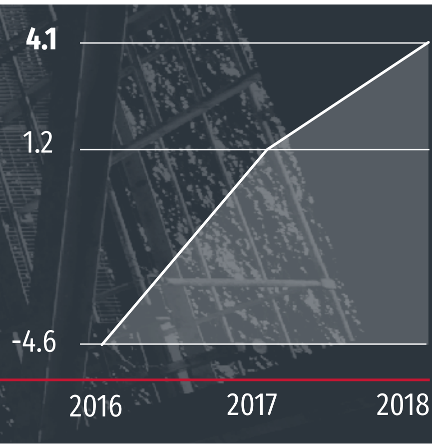
In February 2018, Parkmead announced that it had significantly increased its equity in the Perth and Dolphin oil fields in the UK Central North Sea from 60.5% to 100%. The Perth and Dolphin fields lie at the core of Parkmead's Greater Perth Area oil hub project.

The Group also signed an agreement with Nexen Petroleum, a subsidiary of the China National Offshore Oil Corporation (CNOOC), to conduct a detailed engineering study in relation to the potential subsea tie-back of the Greater Perth Area project to the Nexen-operated Scott platform and associated facilities in the UK Central North Sea. This engineering study confirmed the technical feasibility of a tie-back of the GPA project to the Scott facilities. Parkmead has entered into commercial discussions with the Scott field partners in order to explore terms for a tie-back of GPA to Scott.

The Scott facilities lie just some 10km southeast of the GPA project and a tie-back could yield a number of mutually beneficial advantages for both the Scott partnership and Parkmead. Utilisation of this export route has the potential to transform the GPA project commercially and economically, by dramatically reducing the capital expenditure required to bring the GPA project onstream and by lowering the operating costs thereafter.

In addition, Parkmead commissioned a new reservoir study with AGR Tracs International in relation to well stimulation, to analyse the effect of stimulation on the GPA sandstones.

242% INCREASE IN GROSS PROFIT
(2018:£4.1M)



€106m

EXPECTED GROSS REVENUE
FROM DIEVER WEST GAS FIELD IN CALENDAR YEAR 2018

The Perth reservoir has a substantial gross oil column of around 2,000 feet, making the reservoir ideal for stimulation. The study concluded that stimulating the Claymore formation would result in a considerable increase in well productivity and is likely to increase the overall oil recovery factor. This option will require further well trajectory work to optimise the inflow performance.

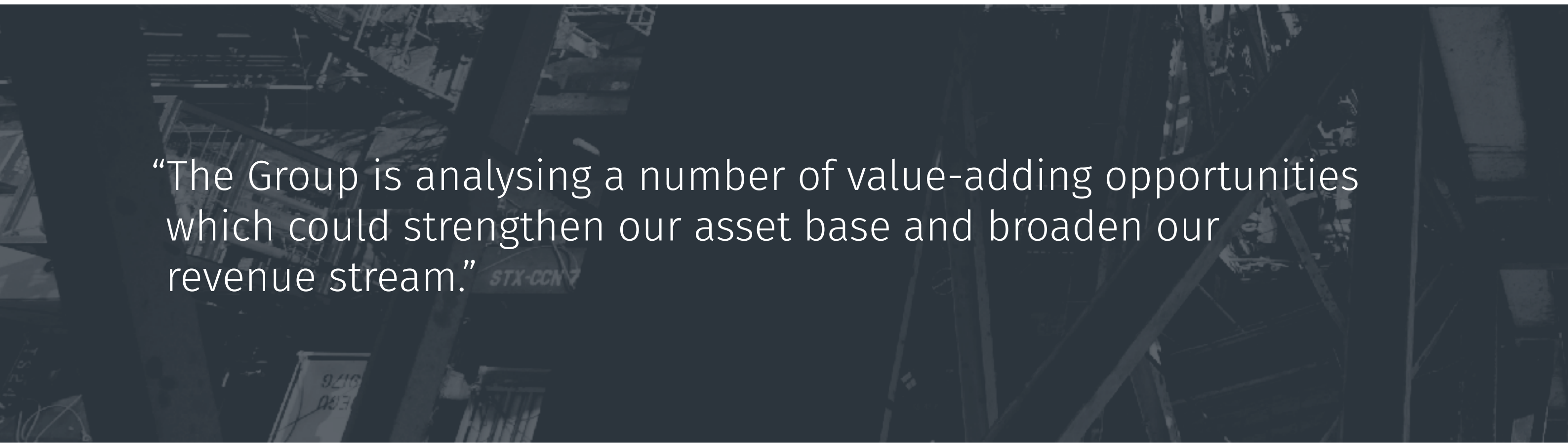
Perth and Dolphin are located in the Moray Firth area of the UK Central North Sea, which contains very large oil fields such as Piper, Claymore and Tartan. Through a series of licensing round successes and strategic acquisitions, Parkmead has established a key position in this area of the North Sea. 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 barrels of oil equivalent per day ("boepd") per well. At Perth, the Claymore Sandstone forms a combined structural-stratigraphic trap, onlapping the Tartan Ridge to the North, with a southward-thickening and dipping sandstone wedge. The sandstones that comprise the accumulation were deposited as deep-water turbidites sourced from the Halibut Horst, with a contribution from the Tartan Ridge.

Parkmead has made a number of important growth steps in relation to the GPA project. An invitation to tender was announced to the service provider market, covering the pre-FEED, FEED and subsequent development phases of the project. Parkmead was 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 evaluating 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 for key parts of the development, significantly reducing the capital expenditure required to bring the project onstream.

Considerable progress has also been made 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 just 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 May 2018, Parkmead was awarded nine new UK oil and gas blocks and part blocks spanning five new licences in the UK 30th Licensing Round. These newly awarded licences will all be operated by Parkmead and are located in the Central North Sea, Southern North Sea and West of Shetland areas. Two of the new awards cover the highly prospective Skerryvore area and contain seven new prospects, three of which are stacked. These three stacked prospects have the potential to contain 157 million barrels of recoverable oil equivalent on a P50 basis.



"The Group is analysing a number of value-adding opportunities which could strengthen our asset base and broaden our revenue stream."

The awards also include acreage containing the Lowlander oil field, in close proximity to Parkmead's GPA project. The addition of these new licences increases the Group's 2C resources to 101.8 MMBoe, a 64% increase from Parkmead's 30 September 2017 resources position of 62.0 MMBoe.

The West of Shetland licence won in the 30th Round, covering Block 205/12, lies adjacent to Parkmead's existing block containing the Sanda prospects. Block 205/12 contains the large Davaar prospect in the Vaila Formation, which has the potential to contain 204 million barrels of recoverable oil on a P50 basis.

These awards include a range of new exploration prospects, in addition to a number of proven discoveries. They follow on from Parkmead securing nine new licences covering a total of 12 offshore blocks in the UK 28th Licensing Round.

Strong Netherlands Asset Base

The Group substantially increased production from the Diever West gas field during the period. In May 2018, production reached a new gross average monthly high of 56.9 million cubic feet per day ("MMscfd"), which equates to approximately 9,787 barrels of oil equivalent per day ("boepd"). After perforating the Akkrum formation section of the reservoir, a change in production tubing was successfully completed on the field. This intervention has led to the production achieving its full potential from the two perforated intervals.

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

A number of further exploration opportunities exist within the Drenthe VI concession, which contains the Diever West field. Two of these are the Boergrup and De Mussels prospects, both of which have stacked independent targets in the Vlieland and Rotliegendes (Boergrup) and Rotliegendes and Carboniferous (De Mussels).

The Parkmead portfolio includes producing gas fields with a very low operating cost. This profitable gas production from the Netherlands provides important cash flow to the Group.

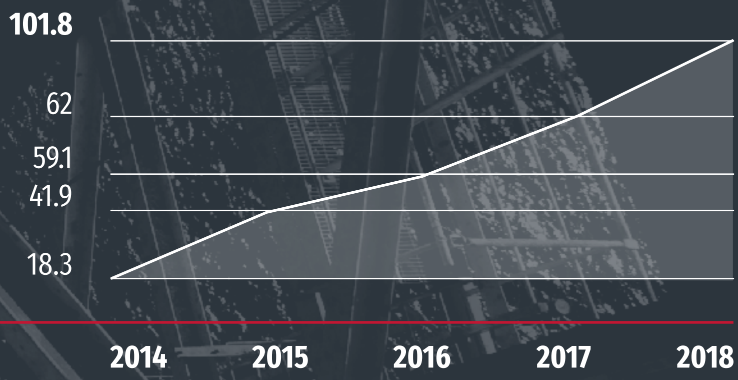
Detailed work has begun on the Ottoland oil and gas discovery, located on the same Andel Va block as the Brakel gas field. Seismic interpretation and depth migration studies, followed by structural and static modelling, will refine the volumetrics ahead of a development plan, potentially including a new horizontal well. In addition, seismic reprocessing has been completed on the Andel Vb licence ahead of updating the prospectivity estimates for this area.

At Parkmead's producing Geesbrug gas field, the potential for a new low-cost infill well is being studied in order to maximise production. New structural and static modelling at the Papekop oil and gas discovery has been completed, refining the volume estimates. Further appraisal work would look to confirm the depth of fluid contacts before development planning is undertaken.

Results

The Group's revenue for the year to 30 June 2018 increased substantially to £7.0m (2017: £4.1m), generating a gross profit of £4.1m (2017: £1.2m). This is a significant achievement and is testament to the success of the Group's onshore gas portfolio and careful financial discipline. Parkmead's gas portfolio in the Netherlands ensures the Group is cash flow positive on an operating basis. The Group's four separate gas fields have an average operating cost of just US$15.6 per barrel of oil equivalent. Detailed technical work undertaken across the wider Parkmead portfolio has allowed the Group to release non-core acreage, such as licence P. 1566, considerably reducing licence costs. The release of this acreage led to a non-cash impairment charge of £4.5 million which resulted in a Group operating loss of £5.3 million (2017: £3.8 million).

64% INCREASE IN 2C RESOURCES IN 2018
(mmboe)



MORE THAN DOUBLING
ESTIMATES OF GAS IN PLACE TO
108
bcf AT DIEVER WEST

Administrative expenses were £4.2m (2017: £2.3m), which included a non-cash charge in respect of share based payments of £2.5m (2017: £0.7m). Underlying administrative expenses were just £1.7m (2017: £1.6m).

Parkmead's total assets at 30 June 2018 were £78.9m (2017: £82.2m). Available-for-sale financial assets were £5.7m (2017: £3.2m). Interest bearing loans receivable were £2.9 million (2017: £nil). Cash and cash equivalents at year end were £23.8m (2017: £26.4m). Parkmead is very carefully managed and remains debt free. The Group's net asset value was £64.2m (2017: £68.9m). Parkmead is therefore well positioned for growth. This positive position is a direct result of experienced portfolio management and a strong focus on capital discipline.

The Group's principal available-for-sale investment is its shareholding in Faroe Petroleum plc ("Faroe") (LSE AIM: FPM.L). As at 30 June 2018, the value of this investment had increased to £5.7m (30 June 2017: £3.2m). Faroe's closing share price at 30 June 2018 was 146.60 pence per share.

Due to Parkmead's ongoing growth opportunities and associated investment programme, the Board is not recommending the payment of a dividend in 2018 (2017: £nil).

Outlook

The Directors of Parkmead are pleased with the Group's continuing progress in building a high-quality business of increasing breadth and scale. Parkmead has a strong core of profitable gas production and a balanced portfolio with significant upside. Therefore, we believe Parkmead is well positioned to build further on the progress to date and to capitalise on new opportunities. We are delighted by the operational enhancements achieved at Diever West and the increased stakes we have secured in key assets across the portfolio.

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

As we move towards 2019, Parkmead maintains its appetite for acquisitions and is looking carefully at a number of opportunities. We will also continue 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 grow and we look forward to updating shareholders as we make further progress.

TOM CROSS
Executive Chairman
15 November 2018

A PROVEN BUSINESS MODEL

How the Parkmead Group Evaluates New Opportunities

Parkmead is a dynamic, ambitious group with a longstanding and excellent network across the energy sector. Our team regularly identifies new and potentially value-adding opportunities that could enhance and grow Parkmead.

These opportunities are rigorously evaluated to ascertain their technical and commercial attractiveness. The selected, high quality opportunities are then progressed with the Group's expertise in collaboration and appraisal.

In this way we protect the core strengths of our existing business and focus Parkmead's skill and expertise on only the highest calibre, lower risk opportunities, always prioritising the delivery of shareholder value.

How We Are Increasing Balance Within the Group

Parkmead clearly benefits from increasing balance within the Group. This adds strength and value to Parkmead's operations.

Currently there are four separate arms of the business: Netherlands Gas, UK Oil and Gas, Benchmarking and Economics and Future Opportunities. The combination of these separate parts provides a strong core of revenue generation, large upside potential and robust informed decision making.

NETHERLANDS GAS

Onshore gas production from 4 separate fields

UK OIL & GAS

Valuable exploration and development projects

BENCHMARKING & ECONOMICS

32 years of experience advising major companies and governments

FUTURE OPPORTUNITIES

New business, utilising Parkmead's scientific and commercial expertise

A BALANCED OPERATING GROUP

UK Oil & Gas

Parkmead's North Sea oil and gas business contains a portfolio of high quality exploration and development assets. This year, Parkmead increased its equity in the Greater Perth Area and added new licences through the UK 30th Licensing Round.

The Group's oil and gas team has a deep technical knowledge of the Southern Gas Basin, Central North Sea and West of Shetland areas. Parkmead combines this knowledge with commercial expertise to maximise potential value.

+9
new offshore blocks

46.3
MMBOE of 2P reserves

28
blocks of oil & gas Interests

Project hubs minimise development cost

Netherlands Gas

Parkmead's highly successful Netherlands gas business provides the Group with strong revenue and cash flow generation. Through investment we have grown this segment of Parkmead significantly.

During 2018 we achieved a significant increase in production at the Diever West gas field by optimising the well tubing and perforating a second section of reservoir. A number of further exploration opportunities, similar to Diever West, exist within Parkmead's Netherlands portfolio.

The Group sees gas as an important transition fuel for the future and Parkmead will look to continue to invest in these low-risk onshore opportunities.

4
Producing fields

9,787
BOEPD gross gas production at Diever West (May 2018)

US$15.6
per barrel average operating costs

+5
new targets identified close to Diever West

Benchmarking & Economics

Aupec, Parkmead's wholly-owned subsidiary, is a world-renowned energy consultancy with over 30 years of experience in the energy sector. Aupec's team of economists has advised governments, national oil companies, majors and independents across the world. Today Aupec specialises in economic benchmarking for its global client base.

Parkmead has been developing Aupec over recent years and this has resulted in significant growth in Aupec's revenue. Parkmead will continue to build the business, potentially expanding Aupec's specialist expertise beyond the energy sector.

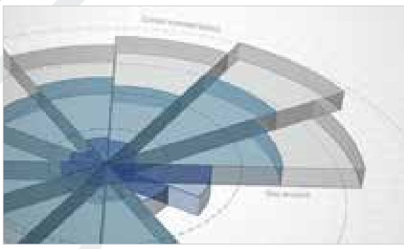
global reach

30+
years of project delivery

REVENUE GROWTH
through expert team

100+
governments and companies advised

Future Opportunities



Parkmead has an exceptional team of scientific and commercial experts, who have a track record of good decision making, and successful delivery of projects, over many years.

Within our team of economists, engineers and geoscientists there is a deep reservoir of knowledge. They are identifying and evaluating a number of opportunities, including projects related to land, property and renewable energies, with a focus on those which are value-adding for the Group and offer financial/technical complementarity to our existing operations.

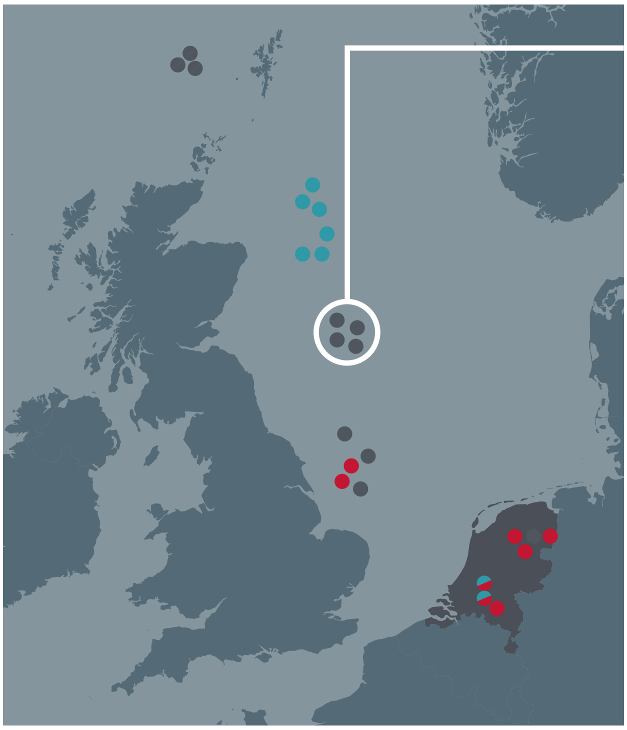
numerous new opportunities identified

35+
years of experience and deep reservoir of knowledge

VALUE-ADDING
projects being analysed

£5.7M
value of investment in Faroe Petroleum

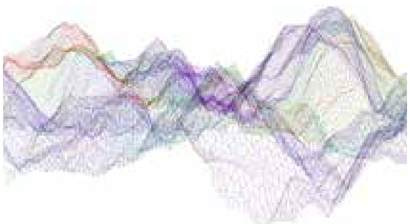
OIL & GAS ASSET PORTFOLIO

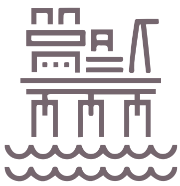


Oil production/development

Gas production/development

Exploration prospects





Portfolio Pick SKERRYVORE

The team is very excited with the new licence award covering the highly prospective Skerryvore area. Situated in the prolific Central Graben, this new licence spans Blocks 30/12c, 13c, 17h & 18c and is operated by Parkmead with 30% equity.

Four play fairways are developed on this acreage providing six prospects. Significant prospectivity on the blocks is mapped at Palaeocene Mey Sandstone and Cretaceous Chalk level, with additional potential recognised within the deeper Jurassic Fulmar play. The Palaeocene Mey and Chalk are proven productive reservoirs in the area by fields and discoveries such as Joanne, Judy, Orion and Flyndre.

The Skerryvore Mey prospect overlies two stacked Chalk prospects (Skerryvore Ekofisk and Skerryvore Tor) which are associated with a Zechstein salt diapir called Skerryvore. The Chalk in these prospects is thought to have been re-worked, which significantly improves permeability over conventional Chalk reservoirs. These three stacked prospects have the potential to contain 157 million barrels of recoverable oil equivalent on a P50 basis.

An additional Paleocene Mey prospect (Skerryvore West) and one Chalk prospect (Skerryvore North) are also identified on the blocks. The proposed work programme includes reprocessing 3D seismic and a contingent well. Parkmead's co-venturers on the licence are Serica Energy, Zennor Petroleum and CalEnergy Gas.

“We are building a balanced group, through a portfolio with significant upside”

Dr Colin Percival
Technical Director

Central North Sea

- Increased equity in the Perth and Dolphin oil fields, increasing Parkmead’s 2P reserves by 67% to 46.3 MMBoe
- Agreement signed with Nexen Petroleum (CNOOC) to conduct an engineering study in relation to the potential subsea tie-back of the Greater Perth Area project to the Nexen operated Scott platform and facilities
- New blocks secured in the UK 30th Licensing Round including Block 14/20f containing the Lowlander discovery

Southern North Sea

- New licence won spanning Blocks 47/10d & 48/6c containing the Rotliegendes Sandstone prospect Blackadder
- Currently working towards optimising the export route for Platypus gas field, ahead of finalising an offtake agreement
- A minimum facilities platform concept at Platypus substantially reduces development expenditure

Netherlands – Diever West

- Significant increase in production at the Diever West gas field
- In May 2018, production reached a new gross average monthly high of 56.9 million cubic feet per day (approximately 9,787 barrels of oil equivalent per day)
- A change in production tubing was successfully completed on the field during 1H 2018 leading to the well producing at its full potential from two perforated intervals

PRODUCTION, APPRAISAL AND EXPLORATION ASSETS

AT 31 OCTOBER 2018

LICENCE	BLOCK DESIGNATION	FIELD/ DISCOVERY	PROSPECT/ OPPORTUNITY	OPERATOR	PARKMEAD EQUITY %	CO-VENTURER(S)
UK CENTRAL NORTH SEA						
P. 218	15/21e North Area	Perth		Parkmead	100.00	
	15/21a South Area	Dolphin/Sigma		Parkmead	100.00	
P. 588	15/21c	Perth		Parkmead	100.00	
	15/21b	Residual		Parkmead	100.00	
P. 1293	14/18b	Athena		Ithaca	30.00	Ithaca 22.5%, Dyas 17.5%, Spike 15%, Jersey 15%
P. 2218	20/3c & 20/4a	Marten/Polecat		Parkmead	100.00	
P. 2154	14/25a	Perth		Parkmead	100.00	
P. 2362	14/20f	Lowlander		Parkmead	100.00	
P. 2400	30/12c, 13c, 17h & 18c		Skerryvore	Parkmead	30.00	Zennor 30%, Serica 20%, CalEnergy 20%
P. 2402	30/19c		Ruvaal	Parkmead	30.00	Zennor 30%, Serica 20%, CalEnergy 20%
UK SOUTHERN NORTH SEA						
P. 1242	48/1a, 47/5b	Platypus	Possum	Dana	15.00	Dana 59%, CalEnergy 15%, Zennor Petroleum 11%
P. 2209	42/19 & 42/20b		Farne Extension	Parkmead	100.00	
P. 2435	47/10d & 48/6c		Blackadder	Parkmead	75.00	Cluff 25%
UK WEST OF SHETLAND						
P. 2296	205/13		Sanda North/ Sanda South	Parkmead	100.00	
P. 2406	205/12		Davaar	Parkmead	100.00	
NETHERLANDS ONSHORE						
Andel Va		Brakel Ottoland Wijk en Aalburg		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Andel Vb		Kerkwijk		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, 28th and 30th 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.

PARKMEAD
GROUP

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 28 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 2018, 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 assurance that the Group will be successful in obtaining the required financing or attracting farm-in partners in the medium 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 if the price of hydrocarbon products drops significantly, or the fiscal regime experiences materially adverse changes, the economic prospects of the projects in which the Group has an interest may be significantly reduced or rendered uneconomic.

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 has exposure 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.

The Group is exposed to equity price risk in respect of its available-for-sale investments in oil and gas securities. Due to the nature of oil and gas exploration the share price of these companies is volatile and significant movements over a short period are common. Therefore, the Group closely monitors the performance of Faroe Petroleum plc, in which it owns a 1.1% shareholding.

The United Kingdom's vote to leave the European Union has resulted in some uncertainty in future trading arrangements between the UK and the rest of the world. Whilst the longer term political and economic effects of these events are as yet unclear, weaker sterling following the referendum has so far had a positive effect on the Group's reported sales and earnings. 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 risk relating to this economic uncertainty.

KEY PERFORMANCE INDICATORS

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
15 November 2018

DIRECTORS' REPORT

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2018.

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 £7.1 million (2017: £4.9 million loss). The Directors do not recommend the payment of a final dividend (2017: £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
C J Percival
R A Stroulger
P J Dayer
D I Rawlinson

Biographical details of all the current Directors, who make up the "Board" of the Company, as at the date of signing these financial statements, can be found on page 13. 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 23 to the financial statements.

SHARE CAPITAL

At 30 June 2018 the total issued ordinary share capital was 98,929,160 shares of 1.5 pence each.

All of the Company's ordinary shares are fully paid up and quoted on AIM. The rights and obligations attaching to the Company's ordinary shares as well as the powers of the Company's Directors are set out in the Company's Articles of Association, copies of which can be obtained from the Company website (www.parkmeadgroup.com), Companies House, or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to or the transfer of the Company's issued ordinary shares.

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

SIGNIFICANT SHAREHOLDINGS

The Company has been advised of the following significant shareholdings as at 31 October 2018:

	No. of ordinary shares held	% of Ordinary Shares
T P Cross & Affiliates	18,850,779	19.05%
Cavendish Asset Management	9,443,652	9.55%
Polar Capital	4,666,646	4.72%

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.

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 include:

- 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.

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.

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 17 December 2018. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2018
- 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
15 November 2018

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and the Board has ensured that the Company has adopted policies and procedures that the Directors consider appropriate with regard to the Company's size.

In order to fulfil the requirements under AIM Rule 26 the Company has adopted the recommendations of the QCA Corporate Governance Code (the "QCA Code") for small and mid-sized companies from September 2018, to the extent that the board believes is proportional to the size, risks, complexity and operations of the business.

This statement explains the Directors' approach to addressing the key principles of the QCA Code during the year ended 30 June 2018.

Establish a strategy and business model which promotes long-term value for shareholders
The Parkmead Group is a UK and Netherlands focused independent energy group listed on the AIM Market of the London Stock Exchange (AIM: PMG). The Group currently produces gas from a portfolio of four fields across the Netherlands and holds oil and gas interests spanning a number of exploration and production blocks.

The Company's strategy is to build an independent group of considerable scale, with assets in proven and frontier areas, through innovative commercial transactions in order to maximise shareholder value. Parkmead has made substantial progress to date in line with this strategy, completing seven acquisitions at both asset and corporate level.

The Group's risks and risk mitigation strategy are explained in detail within the Strategic Report section in the Annual Report each financial year, available on the Parkmead website.

Seek to understand and meet shareholder needs and expectations
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. Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. 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 is also located 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.

Take into account wider stakeholder and social responsibilities and their implications for long-term success
The Company recognises that good relations with a range of different stakeholder groups is important for long-term success. These stakeholder groups include internal stakeholders, such as employees, and external stakeholders, such as government regulators and shareholders. The Company dedicates time to understanding and acting on the needs and requirements of each of these groups via meetings dedicated to obtaining feedback.

The Company 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.

Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Group's risks and risk mitigation strategy are explained in detail within the Strategic Report section in the Annual Report each financial year, available on the Parkmead website.

The Board considers risks relating to the business at every Board meeting (at least four meetings a year). The Company formally reviews and documents the principal risks relating to the business at least annually.

The Board are responsible for reviewing and evaluating risk and the Executive Directors meet regularly to review ongoing trading performance, discuss budgets and forecasts and risks relating to the business. The Board's risk management policy and internal controls are considered appropriate for a Company of its size and business activities.

Maintain the Board as a well-functioning, balanced team led by the chair
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 three Executive and two Non-Executive Directors. The Board considers its composition appropriate given the size of the company, its revenues and profitability. The Non-Executive Directors 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, which consists of:

› management accounts setting out actual costs and revenues against budgeted costs and revenues

› cash collections and forecasts

› a statement of profit or loss 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 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.

All Directors are subject to re-appointment every three years 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 Annual General Meeting.

The Board has two committees; the Audit Committee and the Remuneration Committee. Further details on these committees are provided in the following principle "Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board", and also in the Company's annual reports.

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
Biographical details of all the current Directors can be found on page 13. These demonstrate a range of experience and sufficient calibre to bring independent judgement on the issues of strategy, performance, resources and standards of conduct, which are vital to the continuing success of the Group.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary will ensure that the Directors receive appropriate training as necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
In an effort to strive for continual improvement in the effectiveness of the Board, its committees, and the individual Board members, the Company operates an evaluation process.

All Directors are subject to re-appointment every three years 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 Annual General Meeting.

Promote a corporate culture that is based on ethical values and behaviours
The Board believes that a corporate culture based on sound values and behaviours is helpful to maximise shareholder value. The Company maintains and reviews guidance on what is expected of every employee of the company.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
The Board currently comprises three Executive and two Non-Executive Directors. The Board considers its composition appropriate given the size of the Company, its revenues and profitability.

The key Board roles are the Executive Chairman and the Non-Executive Directors.

Executive Chairman

Responsible for the delivery of the business model within the strategy set by the Board. Works with the other Executive Directors and two Non-Executive Directors in a transparent way. Keeps the Board up-to-date with operational performance, risks and other issues to ensure that the Company remains aligned with the Group's strategy.

CORPORATE GOVERNANCE (CONTINUED)

Non-Executive Directors

The primary responsibility of the Non-Executive Directors is to ensure that the strategies proposed by the Executive Directors are fully considered. The Non-Executive Directors are also responsible for making sure that the board agenda concentrates on the key issues, both operational and financial, with regular reviews of the company's strategy and its overall implementation.

The Board has two committees; the Audit Committee and the Remuneration Committee.

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 2018 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 financial statements
- 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.

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 2018 the Remuneration Committee met once, with all members present.

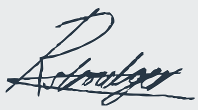
The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors. In doing so the Committee's aims are:

- 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 guidance of the QCA
- 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

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

Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders

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. The outcome of resolutions put to the Annual General Meeting are published and available on the Company's website.



Ryan Stroulger
Company Secretary
15 November 2018

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.

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 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2018 which comprise the Group Statement of Profit or Loss, the Group and Company Statements of Profit or Loss and other Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and 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 Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 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 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 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 as applied to SME listed entities, 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 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.

KEY AUDIT MATTER

Use of forecast revenue in the discounted cash flow models ("the models") for valuation purposes

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 E&E 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 forecast revenues applied in the models and in evaluating this we:

- Reviewed the future oil and gas revenue inputs to confirm the appropriate 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.

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 models supporting the carrying value of the 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, operating and capital expenditure 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.
- Performed sensitivity analysis on the key assumptions used in the models.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC (CONTINUED)

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 at January 2016 and some uncertainty remains as to the future viability of this field and restoring production due to the volatility of the 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 supporting the carrying value of the 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, operating and capital expenditure 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.
- Performed sensitivity analysis on the key assumptions used in the models.

KEY AUDIT MATTER

Carrying value of decommissioning provisions (see Note 21)

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.

KEY AUDIT MATTER

Carrying value of the Company's investment in subsidiaries and receivables due from group companies (See Note 15 and Note 18)

Description of risk

The 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 commodity prices, discount rate, operating and capital expenditure cash flows and production volumes.

› 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.

› Performed sensitivity analysis on the key assumptions used in the models.

MATERIALITY

The materiality for the Group financial statements as a whole was set at £2,350,000. 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 Company financial statements as a whole was set at £1,527,500. This has been determined with reference to the benchmark of the Company's assets, which we consider to be an appropriate measure as the Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 1.7% of total assets as presented on the face of the Company's Statement of Financial Position.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC (CONTINUED)

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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 21, 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 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 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.

USE OF OUR REPORT

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

Nexia Smith & Williamson

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

25 Moorgate
London EC2R 6AY
15 November 2018

GROUP STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 £'000	2017 £'000
Continuing operations			
Revenue	3	**7,022**	4,137
Cost of sales		**(2,960)**	(2,959)
Gross profit		**4,062**	1,178
Exploration and evaluation expenses		**(5,244)**	(2,669)
Administrative expenses		**(4,153)**	(2,344)
Operating loss	4	**(5,335)**	(3,835)
Finance income	9	**92**	281
Finance costs	10	**(645)**	(749)
Loss before taxation		**(5,888)**	(4,303)
Taxation	11	**(1,259)**	(607)
Loss for the year attributable to the equity holders of the Parent		**(7,147)**	(4,910)
Loss per share (pence)			
Continuing operations			
Basic and diluted	12	**(7.22)**	(4.96)

GROUP AND COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		Group		Company	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loss for the year		**(7,147)**	(4,910)	**(3,513)**	(1,882)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Fair value gain on available-for-sale financial assets		**2,473**	583	**2,473**	583
		2,473	583	**2,473**	583
Income tax relating to components of other comprehensive income		**–**	–	**–**	–
Other comprehensive profit for the year, net of tax		**2,473**	583	**2,473**	583
Total comprehensive loss for the year attributable to the equity holders of the Parent		**(4,674)**	(4,327)	**(1,040)**	(1,299)

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2018

		Group		Company	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Non-current assets					
Property, plant and equipment: development & production	13	**12,292**	15,993	**–**	–
Property, plant and equipment: other	13	**38**	55	**30**	52
Goodwill	14	**2,174**	2,174	**–**	–
Other intangible assets	14	**–**	–	**–**	–
Exploration and evaluation assets	14	**30,308**	33,382	**–**	–
Investment in subsidiaries and joint ventures	15	**–**	–	**23,922**	23,922
Available-for-sale financial assets	16	**5,700**	3,227	**5,700**	3,227
Interest bearing loans	17	**2,930**	–	**2,930**	–
Deferred tax assets	11	**3**	3	**–**	–
Total non-current assets		**53,445**	54,834	**32,582**	27,201
Current assets					
Trade and other receivables	18	**1,294**	927	**45,388**	47,033
Cash and cash equivalents	19	**23,804**	26,396	**10,590**	12,889
Current tax assets		**343**	–	**–**	–
Total current assets		**25,441**	27,323	**55,978**	59,922
Total assets		**78,886**	82,157	**88,560**	87,123
Current liabilities					
Trade and other payables	20	**(5,407)**	(2,364)	**(4,571)**	(2,315)
Current tax liabilities		**(1,279)**	(457)	**–**	–
Total current liabilities		**(6,686)**	(2,821)	**(4,571)**	(2,315)
Non-current liabilities					
Other liabilities	20	**(275)**	(70)	**(271)**	(68)
Deferred tax liabilities	11	**(1,284)**	(1,284)	**–**	–
Decommissioning provisions	21	**(6,417)**	(9,102)	**–**	–
Total non-current liabilities		**(7,976)**	(10,456)	**(271)**	(68)
Total liabilities		**(14,662)**	(13,277)	**(4,842)**	(2,383)
Net assets		**64,224**	68,880	**83,718**	84,740
Equity attributable to equity holders					
Called up share capital	24	**19,533**	19,533	**19,533**	19,533
Share premium		**87,805**	87,805	**87,805**	87,805
Revaluation reserve		**(325)**	(2,798)	**(325)**	(2,798)
Retained deficit		**(42,789)**	(35,660)	**(23,295)**	(19,800)
Total Equity		**64,224**	68,880	**83,718**	84,740

The financial statements on pages 28 to 75 were approved by the Board of Directors on 15 November 2018 and signed on its behalf by:

Thomas Cross
Director

Ryan Stroulger
Director

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Retained deficit £'000	Total £'000
At 1 July 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 24)	–	–	(27,187)	–	27,187	–
Share-based payments	–	–	–	–	43	43
At 30 June 2017	**19,533**	**87,805**	**–**	**(2,798)**	**(35,660)**	**68,880**
Loss for the year	–	–	–	–	(7,147)	(7,147)
Fair value gain on available-for-sale financial assets	–	–	–	2,473	–	2,473
Total comprehensive income/(loss) for the year	–	–	–	2,473	(7,147)	(4,674)
Share-based payments	–	–	–	–	18	18
At 30 June 2018	**19,533**	**87,805**	**–**	**(325)**	**(42,789)**	**64,224**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Retained deficit £'000	Total £'000
At 1 July 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 24)	–	–	(27,187)	–	27,187	–
Share-based payments	–	–	–	–	43	43
At 30 June 2017	**19,533**	**87,805**	**–**	**(2,798)**	**(19,800)**	**84,740**
Loss for the year	–	–	–	–	(3,513)	(3,513)
Fair value gain on available-for-sale financial assets	–	–	–	2,473	–	2,473
Total comprehensive income/(loss) for the year	–	–	–	2,473	(3,513)	(1,040)
Share-based payments	–	–	–	–	18	18
At 30 June 2018	**19,533**	**87,805**	**–**	**(325)**	**(23,295)**	**83,718**

GROUP AND COMPANY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2018

		Group		Company	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cashflows from operating activities					
Continuing activities	26	**2,973**	(464)	**588**	(2,605)
Taxation (paid)/credit		**(777)**	56	**–**	–
Net cash generated by/(used in) operating activities		**2,196**	(408)	**588**	(2,605)
Cash flow from investing activities					
Interest received		**62**	271	**28**	24
Acquisition of exploration and evaluation assets		**(1,892)**	(1,164)	**–**	–
Proceeds from available-for-sale financial assets		**–**	10	**–**	10
Acquisition of property, plant and equipment: development and production		**(81)**	(725)	**–**	–
Acquisition of property, plant and equipment: other		**(19)**	(47)	**(12)**	(43)
Advance of loans		**(2,900)**	–	**(2,900)**	–
Net cash used in investing activities		**(4,830)**	(1,655)	**(2,884)**	(9)
Cash flow from financing activities					
Interest paid		**(34)**	(8)	**(1)**	(1)
Net cash used in financing activities		**(34)**	(8)	**(1)**	(1)
Net decrease in cash and cash equivalents		**(2,668)**	(2,071)	**(2,297)**	(2,615)
Cash and cash equivalents at beginning of year		**26,396**	28,288	**12,889**	15,492
Effect of foreign exchange rate differences		**76**	179	**(2)**	12
Cash and cash equivalents at end of year		**23,804**	26,396	**10,590**	12,889

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2018 were authorised for issue by the Board of Directors on 15 November 2018 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 2018.

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 30.

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.

2. ACCOUNTING POLICIES continued

Impairment

The Group's oil and gas assets are analysed into cash generating units ("CGU") for impairment review purposes, with E&E asset impairment testing being performed at a grouped CGU level. The current CGU consists of the Group's whole E&E portfolio. E&E assets are reviewed for impairment 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 written off to 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 2018 the rate used was 8% (2017: 8%). The discount rates applied in assessments of impairment are reassessed each year.

See Note 13 for the carrying value of development and production 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.

Fixed and variable operating costs

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

Capital expenditure

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

Discount rates

Discount rates reflect the current market assessment of the risks specific to the oil and gas sector and are based on the weighted average cost of capital for the Group. Where appropriate, the rates are adjusted to reflect the market assessment of any risk specific to the field for which future estimated cash flows have not been adjusted. The Group has applied a post-tax discount rate of 8% for the current year (2017: 8%).

Sensitivity to changes in assumptions
For certain fields, changes in the above assumptions could cause the estimated recoverable value to be lower than the carrying value, resulting in an 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 recognise that market prices of hydrocarbon products are volatile and a significant reduction in global oil prices can have a consequential adverse impact on the revenue and cash flow of the Group. 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.

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 where there is a legal or constructive obligation to rectify environmental damage or perform restorative work. 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 21 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES continued

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 25).

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 22. The costs of running the Trust are charged to the statement of profit or loss.

Property, plant and equipment

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Transaction costs relating to acquisition of a subsidiary are recognised directly in the statement of profit or loss.

2. ACCOUNTING POLICIES continued

Impairment of investments in subsidiaries and receivables due from group companies
The Company assesses its investments in subsidiaries and receivables due from group companies for indicators of impairment at each reporting date. As part of this assessment the Company considers the output from the impairment tests and value-in-use calculations carried out in respect of the Group's E&E assets and D&P assets. The key assumptions used in these value-in-use calculations are production volumes, commodity prices, operating costs, capital expenditure and discount rates. The derived values at the reporting date are considered to be an indicator of the underlying value of the relevant company. These values are compared to the carrying values of the investments in subsidiaries and receivables due from group companies at the reporting date and consideration is given to whether any provision for impairment is required.

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

2. ACCOUNTING POLICIES continued

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

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

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

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

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

Goodwill

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

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

Intangible assets

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

Financial assets
Classification of financial assets

The Group classifies its financial assets in the following categories: 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.

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
- Investment in subsidiaries: Company's investments in subsidiaries and receivables due from group companies - Impairment

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 2018 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities.

- 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
- Annual improvements to IFRSs 2012-2014 cycle effective from 1 January 2017

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

- Amendment to IFRS 2 classifications and measurement of share based payments effective from 1 January 2018
- IFRS 9 Financial Instruments effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers effective 1 January 2018
- IFRS 16 Leases effective 1 January 2019
- Clarifications to IFRS 15 Revenue from Contracts with Customers effective 1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective from 1 January 2018
- Annual improvements to IFRS 2014-2016 Cycle effective from 1 January 2018

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets, as well as new rules for hedge accounting. It replaces the old standard of IAS 39 in its entirety. The Group has undertaken an assessment of the standard, and will result in some reclassifications of financial assets and no material impact on provision for doubtful debts.

The IASB has issued a new standard for recognition of revenue (IFRS 15) which will replace IAS 18 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or a service transfers to a customer. Management have performed an analysis of IFRS 15 and concluded that there is no material impact on recognition of revenue within the Group's financial statements.

2. ACCOUNTING POLICIES continued

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right of use assets and corresponding lease liabilities. Compared with the existing accounting for operating leases, it will also impact the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. The impact of the adoption of the new standard at 1 January 2019 will be dependent on factors such as the Group's lease contracts at that date and the discount rate applied in accordance with IFRS 16, however the Group does not expect a significant impact on the financial statements.

All other amendments as noted above are not believed to have a material impact on the financial statements of the Group.

3. REVENUE

	2018 £'000	2017 £'000
An analysis of the Group's revenue is as follows:		
Gas sales	**5,676**	2,952
Condensate sales	**137**	21
Rendering of economics services	**1,209**	1,039
Rendering of other services	**–**	125
Total revenue	**7,022**	4,137

4. OPERATING LOSS

	2018 £'000	2017 £'000
The operating loss is stated after charging/(crediting):		
Pre-award exploration expenditure	**276**	178
Exploration expenditure written off	**4,966**	2,424
Depreciation of property, plant and equipment	**536**	667
Share based payment (Note 25)	**2,506**	654
Operating lease rentals: other	**292**	302
Foreign exchange gain	**(16)**	(141)

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:

	2018 £'000	2017 £'000
Audit fees payable to the auditor for the audit of the Company's annual financial statements	**49**	56
Audit of the Company's subsidiaries	**30**	23
Total audit fees	**79**	79
Tax services	**9**	–
Other services	**8**	9
Total non-audit fees	**17**	9
Total audit and non-audit fees	**96**	88

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 economics segment provides energy sector economics, valuation and benchmarking, advising on energy policies and fiscal matters, undertaking economic evaluations, supply benchmarking services and training.

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

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

Year ended 30 June 2018	Oil and Gas Exploration and Production	Energy Economics	Adjustments and eliminations	Consolidated
	£'000	£'000	£'000	£'000
Revenue				
External customer	5,813	1,209	–	7,022
Total revenue	5,813	1,209	–	7,022
Results				
Operating (loss)/profit	(5,748)	413	–	(5,335)
Finance income	79	13	–	92
Finance costs	(643)	(2)	–	(645)
Segment (loss)/profit	**(6,312)**	**424**	**–**	**(5,888)**
Operating assets	**76,890**	**3,458**	**(1,462)**	**78,886**
Operating liabilities	**(15,794)**	**(330)**	**1,462**	**(14,662)**
Other disclosures				
Capital expenditure	1,986	6	–	1,992
Depreciation and amortisation	535	1	–	536

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

6. OPERATING SEGMENT INFORMATION continued

Year ended 30 June 2017	Oil and Gas Exploration and Production	Energy Economics	Adjustments and eliminations	Consolidated
	£'000	£'000	£'000	£'000
Revenue				
External customer	3,098	1,039	–	4,137
Inter-segment	–	–	–	–
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	2,001	2	–	2,003
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

Included in revenues arising from the sale of oil and gas exploration and production are revenues of £5,676,000 (2017: £2,952,000) which arose from the Group's largest customer.

Geographic information

Revenues from external customers

	2018 £'000	2017 £'000
Europe	**6,360**	3,424
North America	**418**	480
Rest of the World	**244**	233
Total revenue per Group statement of profit or loss	**7,022**	4,137

The revenue information is based on the location of the customer. Included in revenues from Europe were sales in the Netherlands of £5,856,000 (2017: £2,973,000) and sales in the United Kingdom of £153,000 (2017: £246,000).

6. OPERATING SEGMENT INFORMATION continued

Non-current assets

	2018 £'000	2017 £'000	2016 £'000
Europe	**44,812**	51,604	54,879
North America	**–**	–	–
Rest of the World	**–**	–	–
Total	**44,812**	51,604	54,879

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	2018 £'000	2017 £'000
Wages and salaries	**1,390**	1,562
Social security costs	**164**	190
Other pension costs	**113**	83
Staff costs (before share based payments)	**1,667**	1,835
Charge for share based payments (Note 25)	**2,506**	654
Total staff costs	**4,173**	2,489

Total staff costs include a charge in respect of a non-cash revaluation of share appreciation rights (SARs) and share based payments totalling £2,506,000 (2017: £654,000). The SARs are settled by cash and are therefore revalued with the movement in share price. The valuation was impacted by the increase in share price between 30 June 2017 and 30 June 2018.

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

	2018 No.	2017 No.
Management and consultants	**9**	10
Technical	**4**	4
Admin, project & IT support	**7**	7
	20	21

8. DIRECTORS' EMOLUMENTS

Directors remuneration in aggregate comprised:	2018 £'000	2017 £'000
Aggregate emoluments	**781**	781
Company pension contributions to money purchase schemes	**9**	9
	790	790

During the year one (2017: one) Directors accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £9,000 (2017: £9,000).

No director exercised share appreciation rights in the period (2017: nil). No director exercised share options in the period (2017: 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 2018 £'000	Total 2017 £'000
T P Cross	506	3	–	**509**	509
R A Stroulger	79	1	9	**89**	89
C J Percival	151	1	–	**152**	152
P J Dayer	20	–	–	**20**	20
D I Rawlinson	20	–	–	**20**	20
Total	**776**	**5**	**9**	**790**	**790**

T P Cross participated in the share appreciation rights (SARs) arrangements for senior management, details of which are provided in Note 25. No SARs were exercised in the year.

Details of outstanding SARs held by each director as at 30 June 2018:

	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
T P Cross	1,444,700	£0.35	7 December 2018	7 December 2027
T P Cross	1,444,700	£0.35	7 December 2019	7 December 2027

8. DIRECTORS' EMOLUMENTS continued

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

Details of outstanding share options held by directors as at 30 June 2018:

	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
C Percival	129,400	£0.35	7 December 2020	7 December 2027
R Stroulger	114,200	£0.35	7 December 2020	7 December 2027

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

I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non Executive Directors, details of which are provided in Note 25. 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.

9. FINANCE INCOME

	2018 £'000	2017 £'000
Bank interest receivable	**51**	47
Loan interest received	**41**	–
Other interest received	**–**	224
Gain on available for sale financial assets	**–**	10
	92	281

10. FINANCE COSTS

	2018 £'000	2017 £'000
Unwinding of discount on decommissioning provision	**597**	741
Interest on late paid tax	**45**	–
Interest payable on loans and borrowings	**3**	8
	645	749

11. TAXATION

a) Income tax

The major components of income tax expense for the years ended 30 June 2018 and 2017 are:

	2018 £'000	2017 £'000
Current tax:		
Corporation tax	**(231)**	–
Adjustments in respect of current income tax of previous periods	**(112)**	–
Overseas current taxation	**1,602**	607
Total current income tax	**1,259**	607
Deferred tax:		
Origination and reversal of timing differences	**–**	–
Total deferred income tax charge	**–**	–
Income tax expense reported in the statement of profit or loss	**1,259**	607

Tax has been calculated using an estimated annual effective rate of 40% (2017: 40%) 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

	2018 £'000	2017 £'000
Loss on ordinary activities before tax	**(5,888)**	(4,303)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 40% (2017: 40%)	**(2,355)**	(1,721)
Effects of:		
Expenses not deductible for tax purposes	**4**	(2)
Income not taxable	**–**	9
Profits taxed outside ring-fence	**648**	325
Tax losses not utilised	**583**	309
Ring-fenced tax losses not utilised	**1,120**	1,080
R&D tax credits	**(343)**	–
Overseas tax suffered	**1,602**	607
Total tax expense for the year	**1,259**	607

c) Deferred income taxation

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred tax asset				
At 1 July	**3**	3	**–**	–
Income statement credit/(charge)	**–**	–	**–**	–
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	**–**	–

11. TAXATION continued

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'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 £121.3 million (2017: £113.2 million), non-ring fenced trading losses available are £1.0 million (2017: £1.2 million), excess management expenses available are £35.3 million (2017: £34.2 million), capital losses available are £71.6 million (2017: £71.6 million) and unrealised capital losses on available-for-sale financial assets of £3 million (2017: £3 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. LOSS PER SHARE

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

	2018	2017
Loss per 1.5p ordinary share from continuing operations (pence)		
Basic	**(7.22)p**	(4.96)p
Diluted	**(7.22)p**	(4.96)p

The calculations were based on the following information:

	2018 £'000	2017 £'000
Loss attributable to ordinary shareholders		
Continuing operations	**(7,147)**	(4,910)
Total	**(7,147)**	(4,910)
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.

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 2017	47,657	2	570	48,229
Additions	81	–	19	100
Disposals	–	–	(23)	(23)
Change in estimate of abandonment asset	(3,282)	–	–	(3,282)
At 30 June 2018	**44,456**	**2**	**566**	**45,024**
Depreciation				
At 1 July 2017	31,664	1	516	32,181
Depreciation charged in the year	500	–	36	536
Depreciation eliminated on disposal	–	–	(23)	(23)
At 30 June 2018	**32,164**	**1**	**529**	**32,694**
Net book amount				
At 30 June 2018	**12,292**	**1**	**37**	**12,330**
At 30 June 2017	15,993	1	54	16,048

Abandonment asset
The abandonment asset adjustment above reflects the decrease in the abandonment 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 £7,700,000 (2017: £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) (3 Years)	Long-term price assumption (Oil)
Athena	8%	\$65-\$70	\$72/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 there would be a further impairment of the asset required. A reduction of 20% in long-term oil price or 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 2017	2	492	494
Additions	–	12	12
At 30 June 2018	**2**	**504**	**506**
Depreciation			
At 1 July 2017	1	441	442
Depreciation charged in the year	–	34	34
At 30 June 2018	**1**	**475**	**476**
Net book amount			
At 30 June 2018	**1**	**29**	**30**
At 30 June 2017	1	51	52

The comparable table for 2017 is detailed below:

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)
Change in estimate of 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

13. PROPERTY, PLANT AND EQUIPMENT continued

Abandonment asset

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

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

14. INTANGIBLE ASSETS

Group	Exploration and Evaluation assets £'000	Other intangible assets £'000	Goodwill £'000	Total £'000
Cost				
At 1 July 2017	33,382	246	2,174	35,802
Additions	1,892	–	–	1,892
Disposals	–	(246)	–	(246)
Exploration write-off	(4,966)	–	–	(4,966)
At 30 June 2018	**30,308**	**–**	**2,174**	**32,482**
Amortisation and impairment				
At 1 July 2017	–	246	–	246
Eliminated on disposal	–	(246)	–	(246)
At 30 June 2018	**–**	**–**	**–**	**–**
Net book amount				
At 30 June 2018	**30,308**	**–**	**2,174**	**32,482**
At 30 June 2017	33,382	–	2,174	35,556

Other intangibles include development costs and contract and customer relationships.

14. INTANGIBLE ASSETS continued

The comparable table for 2017 is detailed below:

Group	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

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:

	2018 £'000	2017 £'000
Oil and Gas Exploration and Production	**–**	**–**
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.

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 2018 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £1,291,000. If revenues fell from the assumed level by 18% 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 2017	23,922
At 30 June 2018	**23,922**
Amortisation and impairment	
At 1 July 2017	–
At 30 June 2018	**–**
Net book amount	
At 30 June 2018	**23,922**
At 30 June 2017	23,922

The comparable table for 2017 is detailed below:

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

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.

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

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

The Directors believe that the carrying values of the investments are supported by the subsidiaries underlying value in use.

As part of the Group's process of streamlining the number of subsidiaries required within the Group, on 30 January 2018 Lochard Energy Group Limited was dissolved.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fair value				
At 1 July	**3,227**	2,644	**3,227**	2,644
Gain on revaluation	**2,473**	583	**2,473**	583
At 30 June	**5,700**	3,227	**5,700**	3,227

Available-for-sale financial assets comprise the following:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Quoted Equity shares				
Equity shares – UK	**5,700**	3,227	**5,700**	3,227
Unquoted equity shares				
Equity shares – UK	**–**	–	**–**	–
	5,700	3,227	**5,700**	3,227

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:

	2018 £'000	2017 £'000
Pound Sterling	**5,700**	3,227
	5,700	3,227

17. INTEREST BEARING LOANS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Non-current assets				
Loans issued	**2,930**	–	**2,930**	–
	2,930	–	**2,930**	–

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

The Loan has a period of two years, with a fixed interest rate of 2.5 per cent.

£2,900,000 has been lent to Energy Management Associates Limited by The Parkmead Group Plc as at 30 June 2018. Interest charged during the period amounted to £41,000. Interest received in the period was £11,000 and outstanding interest due at 30 June 2018 of £30,000.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current assets				
Trade receivables	**374**	442	**–**	–
Less: provision for impairment of trade receivables	**–**	–	**–**	–
Trade receivables - net	**374**	442	**–**	–
Receivables due from group companies	**–**	–	**45,280**	46,919
Other receivables	**53**	67	**–**	–
Prepayments and accrued income	**867**	418	**108**	114
	1,294	927	**45,388**	47,033

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 (2017: £ nil) was due from the Group's largest customer. There are nine (2017: four) other customers who represent more than 5% of the total balance of trade receivables.

A provision for impairment of trade receivables is established where 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, substantial financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is to be impaired.

Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2018, trade receivables of £nil (2017: £nil) were three months past due but not impaired.

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

	2018 £'000	2017 £'000
At 1 July	**–**	42
Amounts written off in the year	**–**	(42)
Provision for receivables impairment	**–**	–
At 30 June	**–**	–

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Pound Sterling	**208**	364	**45,388**	47,033
Other currencies	**1,086**	563	**–**	–
	1,294	927	**45,388**	47,033

18. TRADE AND OTHER RECEIVABLES continued

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.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Unrestricted cash in bank accounts	**19,083**	19,210	**10,590**	12,889
Restricted cash	**4,721**	7,186	**–**	–
	23,804	26,396	**10,590**	12,889

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.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Current liabilities				
Trade payables	**376**	395	**266**	248
Amounts owed to group companies	**–**	–	**–**	308
Other taxes and social security costs	**271**	49	**261**	41
Accruals and deferred income	**4,760**	1,920	**4,044**	1,718
	5,407	2,364	**4,571**	2,315

	Group		Company	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**
Non-current liabilities				
Accruals and deferred income	**275**	70	**271**	68
	275	70	**271**	68

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 35 days (2017: 29 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.

21. DECOMMISSIONING PROVISIONS

	Development and production costs £'000	Total £'000
As at 1 July 2017	9,102	9,102
Changes in estimates	(3,282)	(3,282)
Unwinding of discount	597	597
As at 30 June 2018	**6,417**	**6,417**

The decommissioning provision of £6,417,000 (2017: £9,102,000) 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 and is based on engineering estimates and reports. Changes in estimates have arisen as a result of a reduction in estimated costs of engineering works.

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 charges in the service costs of third parties.

The comparable table for 2017 is detailed below:

	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

22. 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 2018 a total of £nil (2017: £nil) was repaid by N P Doran following share sales leaving a loan balance outstanding of £2,040,000 (2017: £2,040,000). The loan term expired on 22 May 2016.

Contingent liabilities

Under the terms of a sale and purchase agreement between Parkmead (E&P) Limited and Dyas Holdings 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.

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

Effect on equity	2018 £'000	2017 £'000
Increase or decrease of 5% in equity prices	**285**	161
Increase or decrease of 25% in equity prices	**1,425**	807
Increase or decrease of 50% in equity prices	**2,850**	1,614

Interest rate risk

The Group and Company are exposed 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 19 some of the cash balance is restricted.

	2018 £'000	2017 £'000
Floating rate financial assets < 1 year	**23,804**	26,396
Total	**23,804**	26,396

At 30 June 2018, short-term deposits were earning interest at a weighted average fixed deposit rate of 0.25% (2017: 0.25%). 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.

At 30 June 2018, interest bearing loans were earning interest at a fixed interest rate of 2.50% (2017: nil). Interest earned at a fixed interest rate of 2.50% is currently above the GBP Base Rate and represents an insignificant risk of change in rates.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS continued

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and interest bearing loans.

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 2018, the Group had one customer that owed the Group more than £50,000. The requirement for impairment is analysed in respect of trade receivables at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date amounted to £374,000 (2017: £442,000). The Group does not hold collateral as security.

Interest bearing loans credit risk is managed by regularly monitoring the underlying asset value coverage of the loanee. The requirement for impairment is analysed in respect of interest bearing loans at each reporting date. The maximum exposure to credit risk at the reporting date amounted to £2,930,000 (2017: £nil). 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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables and other liabilities				
6 months or less	**5,407**	2,364	**4,571**	2,315
6-12 months	**–**	–	**–**	–
More than 1 year	**275**	70	**271**	68
	5,682	2,434	**4,842**	2,383

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. The Group's net asset per share was 0.6 pence in 2018 (2017: 0.7 pence).

Currency risk

The Group and Company are exposed 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 2018 was £9,402,000 (2017: £5,373,000); Company £19,000 (2017: £4,000). 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 £2,351,000 (2017: £1,343,000) in the Group; Company £5,000 (2017: £1,000).

The Group has exposure 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 2018 was £8,000 (2017: £10,000). A 25% change in Sterling exchange rate will result in an increase or decrease of £2,000 (2017: £3,000) in the Group.

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS continued

Fair values of financial assets and liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2018. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2018		2017	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables at amortised cost	**4,224**	**4,224**	927	927
Financial liabilities at amortised cost	**(5,682)**	**(5,682)**	(2,434)	(2,434)
Available-for-sale financial assets at fair value	**5,700**	**5,700**	3,227	3,227
	4,242	**4,242**	1,720	1,720

Loans and receivables at amortised cost

The fair value of trade receivables approximates to the carrying amount because of the short maturity of these instruments. The fair value of interest bearing loans reasonably approximates to the carrying amount at the reporting date as they will mature in July 2019.

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 2018:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available-for-sale financial assets	5,700	–	–	5,700

The following table presents the Group's financial liabilities that are measured at fair value at 30 June 2018:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Interest bearing loans and payables	–	–	–	–

24. SHARE CAPITAL AND RESERVES

	Authorised	
	2018 No.	2017 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	
	2018 No.	2017 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 earnings in 2017 when the two companies were wound up as part of the group reorganisation.

25. 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 2018, 11 employees (2017: 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 2018 is £3,912,000 (2017: £1,653,000).

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 2018 is £184,000 (2017: £70,000).

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

	2018 £'000	2017 £'000
Equity-settled share based payments	**18**	43
Cash-settled share based payments	**2,488**	611
	2,506	654

The SARs are settled by cash and are therefore revalued with the movement in share price. The valuation was impacted by the increase in share price between 30 June 2017 and 30 June 2018.

There have been no cancellations or modifications to any plans during 2018 or 2017. No share options were forfeited in 2018. (2017: nil).

Movements in the year
The movement in share option awards during the year ended 30 June 2018 is as follows:

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**1,177,628**	**£0.36**	1,177,628	£0.36
Granted	**544,600**	**£0.35**	–	–
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Forfeited	**–**	**–**	–	–
Outstanding at 30 June	**1,722,228**	**£0.36**	1,177,628	£0.36
Exercisable at 30 June	**200,000**	**£0.21**	200,000	£0.21

25. 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	2018	2017
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
7 December 2027	£0.35	**544,600**	–
		1,722,228	1,177,628

The options outstanding at 30 June 2018 had a weighted average remaining contractual life of 6 years (2017: 7 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
December 2017	£0.35	£0.35	48%	3 years	10 years	0%	1.28%	£0.18

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 2018 is as follows:

	2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	**6,424,668**	**£0.41**	6,424,668	£0.41
Granted	**2,889,400**	**£0.35**	–	–
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Forfeited	**–**	**–**	–	–
Outstanding at 30 June	**9,314,068**	**£0.39**	6,424,668	£0.41
Exercisable at 30 June	**6,424,668**	**£0.41**	6,424,668	£0.41

25. SHARE BASED PAYMENTS continued

The fair value of the SARs granted at 30 June 2018 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 2018	Exercise price	Volatility	Vesting period	Expected life	Expected dividend yield	Risk free rate
December 2015	6,424,668	£0.65	£0.41	49%	1 year	10 years	0%	1.32%
December 2017	1,444,700	£0.65	£0.35	56%	1 year	10 years	0%	1.32%
December 2017	1,444,700	£0.65	£0.35	56%	2 year	10 years	0%	1.32%

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%

26. NOTES TO THE STATEMENT OF CASHFLOWS

Reconciliation of operating loss to net cash flow from continuing operations

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Operating loss	**(5,335)**	(3,835)	**(3,557)**	(1,916)
Depreciation	**536**	667	**34**	66
Amortisation and exploration write off	**4,966**	2,424	**–**	–
Provision for equity settled share based payments	**18**	43	**18**	43
Currency translation adjustments	**(76)**	(179)	**2**	(12)
Decrease/(increase) in receivables	**(368)**	548	**1,339**	(1,480)
Increase/(decrease) in payables	**3,232**	(132)	**2,752**	694
Net cash flow from operations	**2,973**	(464)	**588**	(2,605)

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Group and Company have no liabilities from financing activities.

28. 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	
	2018 £'000	2017 £'000
Within one year	**284**	284
Within two to five years	**977**	1,136
More than five years	**257**	382
	1,518	1,802

29. 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 £1,517,000 (2017: £1,147,000). The Parkmead Group plc received dividends from subsidiaries of £nil (2017: £nil).

Any balances outstanding at 30 June 2018 and 2017 in respect of the above transactions are shown in Note 18 and Note 20.

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 (2017: £284,000).

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

The Loan has a period of two years, with a fixed interest rate of 2.5 per cent. Energy Management Associates Limited is a company where T P Cross is a director and a shareholder.

Further details of the Loan are provided in Note 17.

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:

	2018 £'000	2017 £'000
Short-term employee benefits	**781**	783
Post-employment pension benefits	**99**	95
Share-based payment transactions	**2,496**	654
	3,376	1,532

30. JOINTLY CONTROLLED ASSETS

Fields in production or under development as at 30 June 2018:

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

Exploration acreage and discoveries as at 30 June 2018:

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.2209	42/19, 20b	Farne extension	Parkmead (E&P) Limited	100
UK	P.2296	205/13	Sanda North/South	Parkmead (E&P) Limited	100
UK	P.218	15/21a	Perth	Parkmead (E&P) Limited	100
UK	P.218	15/21a	Dolphin	Parkmead (E&P) Limited	100
UK	P.588	15/21b, 21c	Perth	Parkmead (E&P) Limited	100
UK	P.2154	14/25a	Perth West	Parkmead (E&P) Limited	100
UK	P.2218	20/3c, 20/4a	Polecat/Marten	Parkmead (E&P) Limited	100

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