

ADVISING AND INVESTING IN THE ENERGY SECTOR
ANNUAL REPORT 2009

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THE PARKMEAD GROUP IS A SPECIALIST INVESTMENT COMPANY. THE GROUP'S PRIMARY INVESTMENT FOCUS IS IN THE OIL AND GAS EXPLORATION AND PRODUCTION SECTORS.

FOLLOWING A SUCCESSFUL RESTRUCTURING IN 2006, THE GROUP HAS ASSEMBLED A WORLD CLASS BOARD OF INDUSTRY EXPERTS AND ALSO ESTABLISHED A WIDER-REACHING ADVISORY BOARD PROVIDING TECHNICAL AND SECTOR EXPERTISE.



2009 proved to be a challenging year for the Group. During the period under review, global equity, commodity and financial markets experienced unprecedented turbulence which in turn has had a marked impact on our balance sheet and profit and loss account. Trading in our advisory business was also down with an absence of success fees earned from our advisory clients. As set out later in this statement we also pursued a number of asset transactions, however, without access to reliable sources of finance we were unable to conclude them. Despite these disappointments we have recently completed the acquisition of Aupec Limited ("Aupec") which, the Board believes, will provide the Group with significant opportunities to increase its advisory business and improve our in house technical skills.

We remain fully focused on the energy sector and will continue to source investment opportunities that create shareholder returns at an acceptable level of risk. We believe that the acquisition of Aupec will complement this strategy both in terms of providing the Group with access to internal expertise and also by way of access to Aupec's client base.

INVESTMENTS

At the start of the year the Group's principal energy sector investments were in Faroe Petroleum plc ("Faroe"), Reservoir Exploration Technologies ASA ("RXT") and Transeuro Energy Corporation ("Transeuro").

With regard to Faroe, as at 30 June 2009 its share price had fallen to £0.7025 pence against a purchase price of £1.82. The Board believed and continues to believe in the underlying value in Faroe. Equally the Board is pleased to see that recent improvement in market sentiment and news flow has helped Faroe's share price climb back to £1.3675. We remain of the view that Faroe has significant long term upside. The Board believes that the diminution in value is temporary, and as the asset is held as available-for-sale this fall has been reflected in equity.

With regard to RXT, our investment has fared poorly. Like most sectors, the energy sector holds back on investment when faced with recessionary conditions. RXT, being a specialised exploration technology company, has borne the full force of the reduction in investment levels. RXT undertook an emergency placing at a severely dilutive price in March 2009. Overall the Board feels that it is unlikely that this investment will return to pre 2008 levels and as a result we have impaired the investment down to its market price. The impact of this was to record a charge of £1.2 million in the year.

The performance of our investment in Transeuro has been mixed. The initial investment was in a CA\$ 1,250,000 convertible debenture with warrants attached. Values were attributed to the convertibility of the debenture and the warrants. The loan component of the debenture was valued at \$50,000 as, at inception, the majority of the value in the arrangement was attributed to the warrants. As at the year ended 30 June 2009, Transeuro shares were suspended following the announcement of a capital reorganisation and discussions with its creditors. As the assets were held at fair value through the profit and loss account both the warrant and the convertibility were impaired with a corresponding charge to the income statement of £0.7 million. Subsequent to the year end Transeuro's shares have recommenced trading, and Transeuro has repaid half of the outstanding capital and paid the final interest payment in advance. Our remaining investment is fully covered by a fixed charge over certain Transeuro assets. The charge is set at a level well below the market value of the assets and we are confident that the loan will be repaid in full.

OTHER ENERGY SECTOR INVESTING ACTIVITIES

During the year we pursued a number of asset and corporate based deals. In particular we attempted to invest in a significant gas field in the Former Soviet Union. We also progressed to an advanced stage a reverse takeover which would have been transformational for the Group. Whilst we were unsuccessful in executing these transactions we continue to see a healthy flow of investment opportunities. Importantly, we believe that the acquisition of Aupec will provide the Group with significant technical expertise and investment appraisal skills which will prove complementary to our investing activities.

RESIDUAL INVESTMENTS

The Group continues to hold a number of technology investments including Speed-Trap Holdings Limited, Future Route Limited, and Retento Limited. These investments are recorded at fair value. During the year, another of the Group's investments, Thruvision Limited, was placed into administration by its debt providers and Red-M Group Limited entered into a pre pack administration process. Accordingly, we impaired these investments to £nil incurring a charge of £2.2 million. The Board will continue to monitor the performance of its residual investments.

RESULTS AND DIVIDENDS

In the absence of success fees earned from corporate finance transactions our revenues fell to £0.2 million (2008: £1.3 million). Administrative expenses amounted to £2.7 million (2008: £2.6 million) which were somewhat inflated by costs of £0.4 million relating to the aborted transaction noted in "Other Energy Sector Investing Activities" above. The Group's operating loss for the year was £2.5 million (2008: £1.3 million).

The loss before tax was £6.3 million (2008: £0.4 million), after amounts written off investments of £3.5 million (2008: £nil) and other losses of £0.7 million (2008: gain of £0.1 million) arising on the write down of the Transeuro warrants. After discontinued operations, which relate to the reduction in value of the deferred consideration due on the prior year sale of Quayside Corporate Services Limited, this increased to £6.9 million (2008: £0.7 million).

The Group's key performance indicator is net asset per share. The impact of the current year performance on our balance sheet was to reduce our net asset per share from 4.40 pence (at 30 June 2008) to 1.52 pence. However, we remain debt free with consolidated cash balances of £2.5 million.

The Board is not recommending the payment of a dividend (2008: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal trading risk of the Group is that of sourcing, appraising and managing suitable investments. As noted, the Group is focused on making investments in the oil and gas energy sectors and there are inherent risks associated with investing in this sector. Principally these relate to commodity prices, in particular crude oil and gas prices, and also the exchange rate of the US dollar (in which these commodity prices are expressed) and the Group's presentation currency. Notwithstanding this the Group is mindful of the long term nature of investments made in its chosen investment focus area and in selecting its investments has sought to identify long term capital gain opportunities.

OUTLOOK

As announced on 12 October this year the Group conditionally agreed to acquire the entire share capital of Aupec Limited ("Aupec"). The acquisition went unconditional on 2 November 2009. Aupec is a private company which was established in 1986 to commercialise on the accumulated skills of members of the University of Aberdeen's Department of Economics. Aupec has since grown into a respected global authority in energy sector economics, valuation and benchmarking and has been providing economic consultancy services to the oil and gas sector for over 20 years. Aupec has built a reputation for delivery of high quality decision support tools and independent consulting advice in the energy sector. Aupec's clients include major, independent and national oil companies, oil service companies, government ministries and agencies, as well as financial institutions.

The Board believes that there is a natural fit between the two organisations which will allow the Group to expedite its stated strategy to be a leading small cap oil and gas investment and advisory house. Furthermore the acquisition will allow the enlarged Group to:

- diversify the Group's revenue stream
- increase our financial and technical appraisal skills relative to the energy sector
- promote Aupec's services across Parkmead's wider network

Overall the Directors believe that the enlarged Group will be better positioned to deliver shareholder value in the medium and long term.

Despite the gruelling impact that the markets have wrought over the past 18 months and the consequent financial uncertainties, the Group looks forward with some degree of optimism. We have taken action to reduce our cost base. Our investments in Faroe and Transeuro have fared much better over the past few months, the Group remains debt free and has £2.5 million of cash. Our prospects have been boosted significantly by the acquisition of Aupec and I look forward to reporting back to shareholders on progress over the coming year.



Colin Goodall
2 December 2009

THE BOARD



COLIN GOODALL
NON-EXECUTIVE CHAIRMAN

Colin Goodall is currently Non-Executive Chairman of The Parkmead Group plc. Prior to this, he had a 24-year upstream oil career with the BP group, during which time he became the first Chief of Staff within the BP group. From 1995 to 1999 he served as Chief Financial Officer of BP Europe and then as BP's senior representative in Russia.

Colin is also Non-Executive Chairman of Dana Petroleum plc, and Sindicatum Carbon Capital Ltd, and is a Director of Lamprell plc.



GORDON ASHWORTH
CHIEF FINANCIAL OFFICER

Gordon Ashworth was previously Finance Director and Chief Executive Officer of Asite plc, a listed company focused on the construction sector. Prior to this, Gordon was Chief Financial Officer of ERM (UK) and Finance Director of a division of Hill Samuel Bank. Gordon qualified as an accountant in 1989.



FAYSAL HAMZA
NON-EXECUTIVE DIRECTOR

Faysal is currently Managing Director of the Swicorp Joussour Company, a \$1 billion private equity vehicle focusing on the Energy Sector. Previously he worked for Arab Petroleum Investment Corporation, Khalid Ali Alturki and Sons Group, Arco International Oil and Gas Company, Saudi International Bank, and Saudi Arabian Oil Company.

Faysal has a BSc in Business Administration from The American University, Washington, and an MBA from Georgetown University.



RT HON BRIAN WILSON
NON-EXECUTIVE DIRECTOR

Brian is a former Labour government minister who stood down at the last election after 18 years in Parliament. Between 1997-2005, he held five ministerial posts, including Minister for Trade and Minister for Energy. Latterly, he acted as the Prime Minister's Special Representative for Overseas Trade and since leaving Parliament, he has continued to take a close interest in the energy sector. He is also a Director of Celtic FC.



NIALL DORAN
CHIEF EXECUTIVE OFFICER

Niall started his career in 1992 with Accenture and worked on a series of large projects in banking and financial markets. In 1995 he was appointed the first Chief of Staff to the Managing Partner of Accenture. In 1996 he joined the Energy Practice of Accenture and worked on a series of ground breaking deals with BP in Brussels, Moscow and Houston. In 2000 he was appointed a Partner in Accenture's Energy practice.

In 2003 Niall was recruited to take on the role of turnaround CEO for an Indian company providing services to the Energy Sector. The business was stabilised, returned to profit and sold.



TOM CROSS
NON-EXECUTIVE DIRECTOR

Tom is Chief Executive of Dana Petroleum plc. He is a chartered Director and petroleum engineer with extensive energy sector experience spanning projects in over 20 countries. Tom is Chairman of BRINDEX, the Association of British Independent Oil Companies and a Fellow of the Institute of Directors. He chairs Aupec, a global advisory group on energy policy and economics and has served as Chairman of the Society of Petroleum Engineers and an advisor to BBC Radio on oil and gas affairs.



JOHN LEGGATE
NON-EXECUTIVE DIRECTOR

John Leggate joined BP in 1979 as a chartered engineer. During his time at BP, he managed the combined Southern North Sea (SNS) Gas Asset in the UK before becoming President of AIOC (Azerbaijan International Operating Company). In January 1999, he took on the role of Group Vice President, Information Technology before moving to CIO & Group Vice President Digital & Communications Technology, in 2005. He was also a member of the BP Group Senior Leadership Team.

DIRECTORS' REPORT

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2009.

PRINCIPAL ACTIVITY

The Parkmead Group plc is a public limited company, incorporated and domiciled in England & Wales and is quoted on AIM. The Group's and Company's principal activity carried out in the United Kingdom is that of business advisers and investors in the energy sector.

RESULTS AND DIVIDENDS

The Group loss for the financial year after taxation amounted to £6.9 million (2008: £0.7 million). The Directors do not recommend the payment of a final dividend (2008: £nil).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The review of the business for the year, future developments and events since the end of year are set out in the Chairman's Statement on pages 2 to 3. The information which fulfils the requirements of the Business Review as set out in the Companies Act is included therein.

POST BALANCE SHEET EVENTS

On 9 October 2009 the Group entered into an agreement to acquire the entire shareholding of Aupec Limited. Consideration for the acquisition was £3.882 million, satisfied by the issue of 235.3 million New Ordinary Shares and £1.0 million in cash. Aupec Limited was part owned by Mr. T. Cross, a Group Non-Executive Director. Accordingly the acquisition was a related party transaction.

As a part of the transaction noted above the Company implemented a capital reorganisation whereby each of its Ordinary Shares of 5 pence each was split in to one New Ordinary Share of 0.1 pence and one Deferred Share of 4.9 pence. The 2006 Companies Act provides that a company may not lawfully issue a share for a subscription price which is less than its nominal value. The current market price of the Company's shares is below their nominal value. Accordingly, the capital reorganisation, has put the Company into a position whereby it can use its shares to allot for cash or as consideration on the acquisition of Aupec and for use on future transactions.

DIRECTORS

The names and biographical details of the directors during the year and up to the date of signing these financial statements, are given on page 4.

DIRECTORS' OPTIONS

The following Directors have been granted options:

	Date of grant	Options granted	Exercise price
N Doran	*22 May 2006	33,485,616	£0.08
G Ashworth	**12 March 2007	600,000	£0.08

* The vesting conditions associated with these options are such that 50% of the options vest at any time if the closing mid market price of the ordinary shares of the Company exceeds £0.18 pence. The remainder of the options vest if,

at any time, the closing mid market price exceeds £0.27 pence. The options expire in May 2016.

** The vesting conditions associated with the options are such that 33.3% vest immediately. The remainder of the options vest equally over a two year period from date of grant. There is no other performance criterion.

All options granted above relate to The Parkmead Group plc. No options were exercised or lapsed during the year.

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 6 to these financial statements.

FINANCIAL RISK MANAGEMENT POLICIES

Further details of the Group's financial risk management policies are set out in Note 13 to the financial statements on page 27.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £46 during the year (2008: £700). The Group made no political donations during the year (2008: £nil).

CREDITOR PAYMENT POLICY

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

Trade creditor days based on creditors as at 30 June 2009 were 64 days (2008: 47 days) for the Company.

DIRECTORS' REPORT

CONTINUED

SHARE CAPITAL

At 30 June 2009 the total issued ordinary share capital was 368,341,780 shares of 5 pence each. All of the Company's shares are fully paid up and quoted on AIM. The rights and obligations attaching to the Company's ordinary shares as well as the powers of the Company's directors are set out in the Company's articles of association, copies of which can be obtained from the Company website (www.parkmeadgroup.com), Companies House, or by writing to the Company Secretary. There are no restrictions on the voting rights attaching to or the transfer of the Company's issued ordinary shares.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights. The Company's articles of association may be amended by special resolution of the Company's shareholders. There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts and joint venture agreements. None is considered to be significant in terms of their potential impact on the business of the Group as a whole.

PURCHASE OF OWN ORDINARY SHARES

The Directors are authorised to make market purchases of the Company's ordinary shares under an authority granted by the Annual General Meeting held on 3 December 2008. No purchases were made under this authority during the year. In accordance with ABI Investor Protection Guidelines, the maximum number of ordinary shares which may be acquired is 10% or less of the Company's issued ordinary shares as at 3 December 2008. The Directors have no immediate intention of exercising the authority but they will keep the matter under review. Any shares purchased in accordance with this authority will subsequently be cancelled.

SUBSTANTIAL SHAREHOLDINGS

The Company has been advised of the following substantial shareholdings as at 27 November 2009:

	No. of ordinary shares held	% of ordinary shares
Mr Thomas Cross	85,414,701	14.15%
Mrs Linda Cross	84,346,824	13.97%
Mr David Mills	63,146,567	10.46%
Schroder Investment Management	46,875,857	7.77%
David Rose	45,884,188	7.60%
Mr Kenneth Olisa	35,610,076	5.90%
Mr Niall Doran	35,491,677	5.88%
Prof Alexander Kemp	30,589,459	5.07%
Nightwish Investments Ltd	30,300,000	5.02%

STATEMENT ON DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 4. Having made enquiries of fellow Directors when the report is approved each of these Directors confirms that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditors are unaware; and,
- each Director has taken all steps he ought to have taken as a Director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

Your attention is drawn to the Notice of the Annual General Meeting to be held on 31 December 2009 which is set out on page 42 to this Report. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2009
- the reappointment of Directors who, in accordance with the articles of association of the Company have retired by rotation
- approving the re appointment of PricewaterhouseCoopers LLP as auditors to the Company

AUDITORS

PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF The Board



Gordon Ashworth
Chief Financial Officer
2 December 2009

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. The Parkmead Group plc, as an AIM listed company, is not required to comply with the June 2008 Combined Code on Corporate Governance. However, the Board recognises the importance of sound corporate governance and has ensured that the Company has adopted policies and procedures, that the Directors' consider appropriate to the Company's size, which reflect such Principles of Good Governance and the Code of Best Practice as published by the Committee on Corporate Governance (commonly known as the "Combined Code").

THE BOARD

Board effectiveness

The Board, which is set up to control the Company and Group meets formally at least four times a year and in the year under review met on five occasions. As at the year end the Board was comprised of seven Directors – two Executive and five Non-Executive Directors. Four of the Non-Executive Directors, namely the Chairman (Mr. C. Goodall), Mr. F. Hamza, Mr. J. Leggate, and Mr. B. Wilson are considered by the Board to be independent, not withstanding the fact that they have shares in the Company.

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

- management accounts setting out actual costs and revenues against budgeted costs and revenues;
- cash collections and forecasts;
- a statement of income compared with budget;
- balance sheet values including net assets per share; and,
- internal rate of return on investments.

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

All Directors have access to the advice and services of the Company Secretary and can also seek independent professional advice, if necessary, at the Company's expense.

Board appointments

All appointments to the Board are discussed at a full board meeting and each member is given the opportunity to meet the individual concerned prior to an appointment being made.

Chairman and Chief Executive Officer

The Board has shown its commitment to dividing responsibility for running the Board and the business by appointing Mr. C. Goodall as Non-Executive Chairman and Mr. N. Doran as Chief Executive Officer.

Re-election of Directors

All Directors are subject to re-election every three years in accordance with the Company's Articles of Association. This year the following directors are due for re-election: Mr. C. Goodall and Mr. T. Cross.

COMMITTEES AND AUDITORS

Committees

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

The Audit Committee meets at least twice a year and consists of Mr. C. Goodall and Mr. J. Leggate. Mr. N. Doran and Mr. G. Ashworth attend by invitation. In the year ended 30 June 2009 the Audit Committee met twice, both meetings were fully attended.

The duties of the Audit Committee include:

- review of the scope and the results of the audit;
- assessment of the cost effectiveness of the audit;
- monitoring the independence and objectivity of the Auditors;
- review and assessment of current updates of changes in accounting standards and their likely impact on the Group's accounts;
- review and assessment of the internal controls of the Company; and
- 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 Committee discusses the nature and scope of the audit with the external Auditors and provides a forum for reporting by the Group's external Auditors on any matters it considers appropriate.

It is the task of the Audit Committee to ensure that auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditors. To ensure auditor objectivity and independence there is a process in place to approve any non-audit work at each audit committee meeting.

The Remuneration Committee, which consists of Mr. B. Wilson and Mr. C. Goodall, also meets at least once a year. In the year ended 30 June 2009 the Remuneration Committee met twice, the meetings were fully attended.

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

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

Shareholder relations

The Company communicates with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. Additionally, through the Company's website (www.parkmeadgroup.com), the Company makes available announcements relating to progress on investments and industry relationships, which whilst not a

CORPORATE GOVERNANCE CONTINUED

regulatory requirement to be disclosed, provide investors with further insight as to progress made by the Company. Directors are available at the Annual General Meeting where shareholders can ask questions or represent their views. Additionally, in accordance with the AIM rules, specifically Rule 26, the Company has disclosed fully all relevant information so as to ensure that it is fully compliant.

The Company maintains a website (www.parkmeadgroup.com) where the Group's statutory accounts can be accessed.

The following information can also be found there:

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

All queries raised by shareholders are dealt with by the Chief Financial Officer, Mr. Gordon Ashworth. Otherwise the Directors meet and discuss the performance of the Group with shareholders during the year.

Accountability and audit

The Board believes that the Annual Report and financial statements play an important part in presenting shareholders with an assessment of the Group's position and prospects, and in particular the Chairman's Statement, which contains a detailed consideration of the Group's financial position and prospects.

REMUNERATION POLICY

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

- to ensure that remuneration packages are sufficient to attract and retain Executive Directors of the requisite calibre;
- to ensure that the targets of the Group and its Executive Directors are aligned;
- to ensure that the remuneration policies adopted by the Group give full consideration to the requirements of the Combined Code appended to the Listing Rules of the UK Listing Authority;
- to consider, and if thought fit, grant options to Executive Directors and staff under the Group's Option Schemes; and,
- where applicable, to assess targets that should be used in the fixing of performance related pay for Executive Directors. Such bonuses are paid at the discretion of the Remuneration Committee.

Non-Executive Directors

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

INTERNAL CONTROL

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

- the establishment of a Board with an appropriate balance of Executive and Non-Executive Directors, which has overall responsibility for decision making across the Group;
- the preparation and approval of an annual budget in advance of each financial year and monitoring performance against this at an appropriate level of detail on a timely basis;
- establishing clear lines of reporting, responsibility and delegation throughout the Group and documenting this in a clearly defined organisational chart;
- ensuring that clearly defined control procedures covering expenditure and authority levels are in place. In particular the Group requires that all significant expenditure is authorised prior to ordering by at least one Executive Director and that all financial payments in excess of £2,000 are made under dual signature; and,
- undertaking a risk assessment of the Group's activities and monitoring the risks identified.

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

CORPORATE SOCIAL RESPONSIBILITY

The Group acquits itself of its commitment to Corporate Social Responsibility through the implementation of policies across the following areas:

- equal opportunities across the Group; and
- health and safety

GOING CONCERN

The Directors, after making appropriate enquiries have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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; and,
- 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 responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



G Ashworth
Chief Financial Officer
2 December 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of The Parkmead Group plc for the year ended 30 June 2009 which comprise the Consolidated and Company Balance Sheets, the Consolidated Income Statement, the Consolidated and Company Statements of Recognised Income and Expense, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement as set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 30 June 2009 and of the Group's loss and the Group's and Parent Company cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied with the requirements of the Companies Act 2006; and,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or,
- the Parent Company financial statements are not in agreement with the accounting records and returns; or,
- certain disclosures of directors' remuneration specified by law are not made; or,
- we have not received all the information and explanations we require for our audit.



Terence Hopcroft (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
West London
2 December 2009

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2009

		2009	GROUP 2008 RESTATED*	2009	COMPANY 2008 RESTATED*
	NOTES	£	£	£	£
Assets					
Non-current assets					
Property, plant and equipment	4	166,850	230,076	166,850	230,076
Investment in subsidiary and joint ventures	5	-	-	51,000	201,000
Available-for-sale financial assets	6	2,983,951	10,097,920	2,983,951	10,097,920
Trade and other receivables	7	-	73,264	-	73,264
Total non-current assets		3,150,801	10,401,260	3,201,801	10,602,260
Current assets					
Trade and other receivables	7	674,762	1,943,994	709,030	1,964,855
Other financial assets at fair value through profit or loss	8	2,673	678,577	2,673	678,577
Cash and cash equivalents		2,516,892	4,243,690	2,491,807	4,037,610
Total current assets		3,194,327	6,866,261	3,203,510	6,681,042
Total assets		6,345,128	17,267,521	6,405,311	17,283,302
Liabilities					
Current liabilities					
Current portion of capital lease obligations	9	(12,521)	(12,521)	(12,521)	(12,521)
Trade and other payables	10	(734,689)	(1,008,607)	(707,518)	(987,205)
Provision for liabilities and charges	11	(3,619)	(18,836)	(3,619)	(18,836)
Total current liabilities		(750,829)	(1,039,964)	(723,658)	(1,018,562)
Non-current liabilities					
Capital lease obligations	9	(1,044)	(13,565)	(1,044)	(13,565)
Total non-current liabilities		(1,044)	(13,565)	(1,044)	(13,565)
Total liabilities		(751,873)	(1,053,529)	(724,702)	(1,032,127)
Net assets		5,593,255	16,213,992	5,680,609	16,251,175
Capital and reserves attributed to equity holders of the Company					
Called up share capital	14	18,417,089	18,417,089	18,417,089	18,417,089
Merger reserve	15	(952,109)	(952,109)	1,454,546	1,454,546
Employee benefit trust reserve	15	(1,128,008)	(1,128,008)	(1,128,008)	(1,128,008)
Foreign exchange reserve	15	157,382	159,149	157,382	159,149
Revaluation reserve	15	(2,892,904)	966,159	(2,892,904)	966,159
Retained deficit	15	(8,008,195)	(1,248,288)	(10,327,496)	(3,617,760)
Equity shareholders' funds		5,593,255	16,213,992	5,680,609	16,251,175

* Refer to Note 6 for the details of the prior year adjustment resulting from the adoption of IFRS 3 (revised) 'Business Combinations'.

The financial statements on pages 11 to 41 were approved by the Board of Directors on 2 December 2009 and signed on its behalf by:



Gordon Ashworth
Director

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED AND COMPANY STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED INCOME STATEMENT

	NOTES	2009 £	2008 £
Revenue	2	161,498	1,283,153
Other operating income		-	12,352
Administrative expenses		(2,704,221)	(2,566,880)
Operating loss	16	(2,542,723)	(1,271,375)
Finance income	19	399,901	504,971
Finance costs	20	(803)	(803)
Profit on sale of investments	21	-	303,706
Amounts written off available-for-sale financial assets and loans		(3,493,967)	-
Other (losses) /gains on financial assets at fair value through profit or loss	22	(689,130)	89,229
Loss before tax		(6,326,722)	(374,272)
Taxation	23	-	-
Loss after tax- continuing operations		(6,326,722)	(374,272)
Loss after tax- discontinued operations	24	(569,652)	(328,555)
Loss for the financial year		(6,896,374)	(702,827)
Attributable to:			
Equity shareholders		(6,896,374)	(702,827)
Loss for the financial year		(6,896,374)	(702,827)
Loss per 5 pence ordinary share (pence)			
Continuing operations- basic and diluted	3	(1.72)	(0.10)
Total- basic and diluted	3	(1.87)	(0.19)

CONSOLIDATED AND COMPANY STATEMENTS OF RECOGNISED INCOME AND EXPENSE

	NOTES	GROUP		COMPANY	
		2009 £	2008 £	2009 £	2008 £
Movement on value of investment in quoted companies		(3,624,887)	280,007	(3,624,887)	280,007
Movement on value of investment in unquoted companies		(235,943)	500,919	(235,943)	500,919
Net (expense)/income recognised directly in equity	15	(3,860,830)	780,926	(3,860,830)	780,926
Loss for the financial year		(6,896,374)	(702,827)	(6,846,203)	(904,681)
Total recognised (expense)/income for the year		(10,757,204)	78,099	(10,707,033)	(123,755)
Attributable to:					
Equity shareholders		(10,757,204)	78,099	(10,707,033)	(123,755)
		(10,757,204)	78,099	(10,707,033)	(123,755)

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	GROUP		COMPANY	
		2009	2008	2009	2008
		£	£	£	£
Cash flows from operating activities					
Continuing activities	26	(1,405,380)	(2,020,265)	(1,398,571)	(2,040,986)
Discontinued operations	26	-	(4,250)	-	-
Interest received		136,836	588,066	132,401	576,352
Net cash used in operating activities		(1,268,544)	(1,436,449)	(1,266,170)	(1,464,634)
Cash flow from investing activities					
Proceeds from sale of subsidiaries		-	589,247	-	589,247
Proceeds from sale of investments		280,000	1,198,466	280,000	1,198,466
Cash disposed of with subsidiaries		-	(15,685)	-	-
Liquidation dividend received from subsidiary		-	-	178,621	-
Acquisition of investments		(716,500)	(8,727,996)	(716,500)	(8,727,996)
Acquisition of property, plant and equipment		(9,233)	(193,273)	(9,233)	(193,273)
Proceeds from sale of property, plant and equipment		-	13,529	-	6,529
Net cash used in investing activities		(445,733)	(7,135,712)	(267,112)	(7,127,027)
Cash flow from financing activities					
Income from debt and lease financing		-	37,564	-	37,564
Finance lease principal payments		(12,521)	(11,478)	(12,521)	(11,478)
Net cash (used in)/generated by financing activities		(12,521)	26,086	(12,521)	26,086
Net decrease in cash and cash equivalents		(1,726,798)	(8,546,075)	(1,545,803)	(8,565,575)
Cash and cash equivalents at beginning of year		4,243,690	12,758,804	4,037,610	12,572,224
Effect of exchange rate fluctuations		-	30,961	-	30,961
Cash and cash equivalents at end of year		2,516,892	4,243,690	2,491,807	4,037,610

The above table includes information relating to discontinued operations, see Note 26 c).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

I. ACCOUNTING POLICIES

a. Basis of preparation of the financial statements

The consolidated financial information presented in this statement has been prepared in accordance with IFRSs as adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and available-for-sale financial assets.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. 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. Those areas believed to be key areas of estimation are noted below:

- Estimates of fair values of share based payments, warrants, unquoted investments and deferred consideration

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Directors consider that shares traded in an active market are those that are traded daily on a recognised stock exchange. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the time the transaction is recognised and at each subsequent balance sheet date. The Directors use the Black-Scholes-Merton model to estimate the fair value of certain unlisted investments, warrants and share based payments. The underlying assumptions used by the Directors in determining the fair value of unlisted investments, warrants and share based payments are set out in Notes 8 and 14 respectively. The singular most important estimate of these is that of share price volatility.

The Company has also estimated the deferred consideration due to the Company on the sale of Quayside Corporate Services Limited, by reference to its own share price, as the consideration due is dependent upon the value of the Company's shares as explained in Note 6.

Recent Accounting Developments

(a) Standards, amendments and interpretations early adopted by the Group and Company

During the year ended 30 June 2009, the Group has adopted early IFRS 3 (Revised): 'Business Combinations'. This has resulted in a change in the classification of deferred consideration arising on the disposal of Quayside Corporate Services Limited which was sold on 8 November 2008. The outstanding consideration at 30 June 2008 of £876,087 has been reclassified from non-current receivables to an available-for-sale financial asset as a prior year adjustment. IFRS 3 (revised): 'Business Combinations' removes the scope exclusion for contingent deferred consideration from IAS 39 'Measurement and Recognition of Financial Instruments', requiring the consideration to be recorded as a financial asset.

As the Group has early adopted IFRS 3 (revised) in 2009, it is also required to early adopt IAS 27 (revised), 'Consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of the revised standard on the current period as the Company has no non-controlling interests and there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity. These standards were not adopted in the Group's interims for the period ended 31 December 2008.

No other standards, amendments or interpretations have been early adopted by the Group or Company.

(b) Standards, amendments and interpretations effective for the year ended 30 June 2009 but that are not relevant to the Group or Company

The following standards amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group or Company's operations:

IAS 39 (Amendment) 'Financial instruments: Recognition and measurement' and IFRS 7 (Amendment) 'Financial instruments: Disclosures'. Allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances;

IFRIC 9 (Amendment) and IAS 39 (Amendment) regarding embedded derivatives. Allows entities to reclassify particular financial instruments out of the 'fair value through profit or loss' or 'available-for-sale'

categories in specific circumstances;
IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirement and their interactions';

IFRIC 12, 'Service concession arrangements'; and,

IFRIC 13, 'Customer loyalty programmes'.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group or Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009 or later periods, but the Group and Company have not early adopted them:

IAS 1 (Revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The revision requires entities to prepare a Statement of Comprehensive Income as well as disclose the opening comparative balance sheet on restatements. The Directors are currently considering which presentation method to adopt for the Statement of Comprehensive Income;

IFRS 2 (Amendment), 'Share based payments - vesting conditions and cancellations' (effective from 1 January 2009). The Group will apply IFRS (Amendment) from 1 July 2009. The expected impact is still being assessed in detail by management, but it appears likely that the accounting for incentive schemes will not change. A further amendment has been issued for annual periods beginning on or after 1 January 2010. The amendment provides a clear basis to determine the classification of share based payments awards;

IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective from 1 January 2009). The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The Group will apply IFRS 7 (Amendment) from 1 July 2009. The expected impact will be additional disclosure of information; and,

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 July 2009. The expected impact is currently being assessed by the Board following the acquisition of Aupec.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and are not expected to have a significant effect on the Group or Company

IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 (Amendment) 'Consolidated and separate financial statements', effective for annual periods beginning on or after 1 July 2009. The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practices to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates.

IAS 23 (Revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation on financial statements', effective for annual periods beginning on or after 1 January 2009. Amendment clarifies the classification as equity of certain puttable financial instruments and obligations arising on liquidation.

IAS 32 (Amendment), 'Financial Instruments: Presentation', effective for annual periods beginning on or after 1 February 2010. Amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement', effective for annual periods beginning on or after 1 July 2009. This amendment changes the accounting treatment of eligible hedged items.

IFRIC 15 'Agreement for construction of real estate' (effective for period beginning on or after 31 December 2008).

IFRIC 16 'Hedges of a net investment in a foreign operation' (effective for period beginning on or after 1 October 2008).

IFRIC 17 'Distribution of non-cash assets to owners' (effective for period beginning on or after 1 July 2009).

IFRIC 18 'Transfer of assets from customers' (effective for period beginning on or after 1 July 2009).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

b. Basis of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

On sale of a subsidiary, deferred consideration is recorded as an available-for-sale financial asset. Any impairment in deferred consideration due is recorded in equity, unless the impairment is considered other than temporary where it is charged to the income statement within the profit or loss from discontinued operations.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

c. Interest in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, in that strategic, financial and operating decisions require the unanimous consent of the parties.

The Group's interest in joint ventures is accounted for using the proportionate consolidation method, whereby the

Group's share of the results and assets and liabilities of a jointly-controlled entity is combined line by line with similar items in the Group's consolidated financial statements.

d. 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 balance sheet date.

e. Financial assets

(a) Classification of financial assets

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

i) Financial assets at fair value through profit or loss

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

ii) 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 balance sheet date where they are classified as non-current assets.

iii) 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 balance sheet date.

(b) Measurement of financial assets

i) Initial recognition

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (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.

ii) Subsequent measurement

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

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

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

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

Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'other (losses)/gains on financial assets at fair value through profit or loss' when the Group's right to receive payments is established.

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.

iii) Derecognition

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

(c) Impairment of financial assets

The Group assesses at each balance sheet 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 income statement.

f. Derivative financial instruments

Derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for cash flow hedge accounting.

A derivative may be embedded in another financial instrument known as the host contract. Where the economic characteristics and risks of an embedded derivative are not closely related to those of the host contract the embedded derivative is separated from the host and held on the balance sheet at fair value. Movements in fair value are recorded within the income statement whilst the host contract is accounted for according to the policy for that class of financial instrument.

g. Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement 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.

h. Foreign currency

(a) 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 is the Company's functional and presentation currency and the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost 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.

i. Capital leases and hire purchase agreements

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

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

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

j. Deferred taxation

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 substantially enacted by the balance sheet 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.

k. Pensions

The Company contributes 3% of employees' gross salary into personal pension funds of their choice. The cost of providing pension contributions for employees is charged to the income statement as accrued.

l. 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.

m. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and after eliminating any sales within the Group.

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.

n. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

o. Trade receivables

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

p. Trade payables

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

q. Provisions

Provisions are recognised when the Company 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 balance sheet 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 for national insurance is calculated on the fair value of the share options at the balance sheet date, pro-rated over the vesting period of the options. For other benefits in kind, provision is made when it is probable that a liability will arise.

r. Share based payments

Incentives in the form of shares are provided to employees under an unapproved share option scheme and an Inland Revenue approved Enterprise Management Incentive ("EMI") scheme and through other discretionary share based awards.

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

The requirements of IFRS 2 apply to all grants of share options made after 7 November 2002 which had not vested on or before 30 June 2005.

Where the share based payment has taken the form of a loan from the Employee Benefit Trust ("EBT"), a charge based on the fair value of the anticipated benefit is determined on a consistent basis with the other share based awards. The charge is recognised in the income statement and any difference between the charge and the loan is debited to the EBT reserve.

s. Employee Benefit Trust

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

t. Financial Reporting Review Panel

The Group has been in discussion with the Financial Reporting Review Panel concerning its accounts for the year ended 30 June 2008. As a result of these discussions the Group has agreed to a number of changes in emphasis and content as to the disclosures included in the accounts for the year ended 30 June 2009. In particular, attention is drawn to Note 6 concerning the reclassification of the deferred receivable relating to the sale of Quayside Corporate Services. This reclassification has not, however, had any effect on the loss for the year, the cash flows, or the net assets of the Group. The Panel has now confirmed that it regards its enquiry into the accounts of the Group for the year ended 30 June 2008 closed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

2. SEGMENTAL ANALYSIS

The Directors believe that the Group has only one reportable business segment, which is investment and advisory as all revenues were generated by corporate finance advisory fees, and one geographical segment, as all activity is carried out from the United Kingdom. Discontinued operations are discussed in Note 24.

3. LOSS PER SHARE

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

	2009	2008
Loss per 5p ordinary share from continuing operations (pence)		
– basic and diluted	(1.72p)	(0.10p)
Loss per 5p ordinary share from discontinued operations (pence)		
– basic and diluted	(0.15p)	(0.09p)
Loss per 5p ordinary share from total operations (pence)		
– basic and diluted	(1.87p)	(0.19p)

The calculations were based on the following information:

	2009	2008
Loss attributable to ordinary shareholders (£)		
- continuing operations	(6,326,722)	(374,272)
- discontinued operations	(569,652)	(328,555)
- total	(6,896,374)	(702,827)
Weighted average number of shares in issue		
- basic	368,341,780	368,341,780
- diluted	368,341,780	368,341,780

Earnings 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

Earnings per share requires presentation of diluted loss per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be decreased by the exercise of out-of-the-money share options. No adjustment has been made to diluted loss per share for out-of-the-money share options and there are no other diluting future share issues which were not included in the calculation for the period presented.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY	Short leasehold improvements	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
At 1 July 2008	181,111	142,966	324,077
Additions	-	7,798	7,798
At 30 June 2009	181,111	150,764	331,875
Depreciation			
At 1 July 2008	35,835	58,166	94,001
Charged in the year	36,294	34,730	71,024
At 30 June 2009	72,129	92,896	165,025
Net book value			
At 30 June 2009	108,982	57,868	166,850
At 30 June 2008	145,276	84,800	230,076

Computer equipment with a carrying value of £13,565 (2008: £26,086) is secured against a capital lease (Note 9).

The comparable table for 2008 is detailed below:

GROUP AND COMPANY	Short leasehold improvements	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
At 1 July 2007	84,476	51,580	136,056
Additions	96,635	98,073	194,708
Disposals	-	(6,687)	(6,687)
At 30 June 2008	181,111	142,966	324,077
Depreciation			
At 1 July 2007	-	27,280	27,280
Charged in the year	35,835	34,278	70,113
Eliminated on disposal	-	(3,392)	(3,392)
At 30 June 2008	35,835	58,166	94,001
Net book value			
At 30 June 2008	145,276	84,800	230,076
At 30 June 2007	84,476	24,300	108,776

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YEAR ENDED 30 JUNE 2009

5. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

COMPANY	Subsidiary and joint venture undertakings £
Cost or valuation	
At 1 July 2008	201,000
Liquidations	(150,000)
At 30 June 2009	51,000

During the year the Group wound up its wholly-owned subsidiary Parkmead Energy Investment Managers Limited in order to reduce administration costs and release it's share capital.

The comparable table for 2008 is detailed below:

COMPANY	Subsidiary and joint venture undertakings £
Cost or valuation	
At 1 July 2007	200,000
Additions	1,000
At 30 June 2008	201,000

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

	Class of Holding	Interest in Subsidiary	Nature of Business
Registered in England and Wales			
Corduene Investments Limited	Ordinary	100%	Dormant
Parkmead Employee Benefit Trust Limited	Ordinary	100%	Trustee
Parkmead Investment Subsidiary Limited	Ordinary	100%	Dormant
Radius Energy Limited	Ordinary	50%	Business advisors
Registered in Guernsey			
Parkmead Special Situations Energy Fund Limited	Ordinary	100%	Dormant
Parkmead Special Situations Energy (General Partner) Limited	Ordinary	100%	Dormant
Parkmead Special Situations Energy L.P.	Ordinary	100%	Dormant
SSE (Guernsey) Limited	Ordinary	100%	Dormant
Registered in Malta			
British Borneo Expro Limited	Ordinary	50%	Dormant

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP AND COMPANY	2009 £	2008 RESTATED* £
Cost or valuation		
At 1 July	10,097,920	1,506,754
Additions	746,603	8,113,858
Prior year adjustment* – deferred consideration	-	*843,010
Disposals	-	(1,179,705)
Amounts written of available-for-sale financial assets		
- In administration	(2,215,353)	-
- Impairment	(1,233,614)	-
Revaluation	(3,860,830)	**440,087
Impairment – discontinued operations	(569,652)	-
Discontinued operations imputed interest	18,877	*33,077
Reversal of prior years impairment transferred to equity	-	**340,839
At 30 June	2,983,951	10,097,920

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS continued

* The prior year adjustment relates to the reclassification of the deferred consideration arising on the sale of Quayside Corporate Services Limited following the adoption of IFRS 3 (revised) 'Business Combinations', as explained in Note 1 a – Recent Accounting Developments. The impact of the change in accounting policy was to reclassify the deferred consideration due from 'Trade and other receivables' to 'Available-for-sale financial assets'. The change of accounting policy had no effect on the loss for the year, the cash flows or the net assets of the Group.

As at 31 December 2007 the Group classified the receivable as current due to negotiations that were proceeding at the time the interim report was approved. This did not occur, accordingly the deferred consideration was reclassified as non-current in the accounts for the year 30 June 2008.

At 30 June 2009 the Group decided that due to a capital restructuring and poor trading performance the investment in Reservoir Exploration Technology ASA had become impaired. A provision for impairment was made of £1,223,614, reducing the carrying value of the Group's holding to £56,450.

The Group had investments in Thruvision Limited and Red M Group Limited which were both placed in to administration. Accordingly the Directors consider these investments to be impaired and have charged £2,215,353 to the income statement.

** In 2008 the total value of £780,926 was entirely classified as Reversal of prior years impairment transferred to equity and has been separately identified in the current year for information purposes.

Available-for-sale financial assets comprise the following:

	2009 £	2008 RESTATED* £
Listed securities		
- Equity securities – UK	2,050,404	5,253,703
- Equity securities – Europe	56,450	1,683,339
- Equity securities – Canada	11,790	-
Unlisted securities		
- Equity securities – UK	539,995	2,284,791
Other assets		
- Deferred consideration – UK *2008 prior year adjustment	325,312	*876,087
	2,983,951	10,097,920

The deferred consideration of £325,312 (2008: £876,087) represents the fair value of the outstanding consideration due in relation to the disposal of Quayside Corporate Services Limited ("Quayside"), which was sold by the Group on 8 November 2007. The receivable is dependent on the disposal of up to 25,267,779 Parkmead shares by Mr. D. Mills at a price between 5p and 7.8p before 8 November 2012[†]. If the company is able to secure a buyer for the shares at a price of at least 5p before 8 November 2012, the company can require Mr. D. Mills to sell the shares to satisfy the consideration. In the event the sale price is less than 7.8p, the consideration is satisfied in full. In the event that the shares have not been sold by 8 November 2012, Mr. D. Mills can, or the Group may require Mr. D. Mills to, sell the shares at any price which would also satisfy the debt in full.

[†] in the announcement made to the market on 8 November 2007 relating to the sale of Quayside, this date was stated erroneously as 8 November 2008. This was corrected in the announcement made to the market on 10 November 2008.

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

	2009 £	2008 RESTATED* £
Pound Sterling	2,915,711	8,414,581
Other currencies	68,240	1,683,339
	2,983,951	10,097,920

The Directors have determined the fair values of the unlisted securities based on a valuation technique using the price of recent investment methodology.

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YEAR ENDED 30 JUNE 2009

7. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2009	2008 RESTATED*	2009	2008 RESTATED*
	£	£	£	£
Non-current assets				
Loans	-	73,264	-	73,264
	-	73,264	-	73,264
Current assets				
Trade receivables	44,109	1,215,849	44,109	1,215,849
Less: provision for impairment of trade receivables	-	-	-	-
Trade receivables - net	44,109	1,215,849	44,109	1,215,849
Receivables due from joint ventures	34,268	29,120	68,536	58,241
Other receivables	271,513	565,520	271,513	562,923
Loans	206,835	-	206,835	-
Prepayments and accrued income	118,037	133,505	118,037	127,842
	674,762	1,943,994	709,030	1,964,855

* Refer to Note 6 for the details of the prior year adjustment resulting from the adoption of IFRS 3 (revised) 'Business Combinations'.

Non-current assets

Loans

The £nil balance (2008: £45,000) included in non-current assets loans relates to a loan to Red-M Group Limited. The balance of the loan of £45,000 was provided against during the year ended 30 June 2009 and the charge recorded within Amounts written off available for sale assets and loans.

Current assets

Loans

The £206,835 included in current assets loans (2008: £28,264 included in non-current assets) relates to a loan to Transeuro Energy Corporation.

On 29 May 2008, the Group invested in a debenture with Transeuro Energy Corporation for a consideration of CA\$1,250,000 which is due for repayment on or before 9 December 2009. The debenture included the right to convert the loan into shares from December 2008 at CA\$0.25 per share and had 5,000,000 warrants with a strike price of CA\$0.25 per share attached to it.

In addition, in return for providing the facility, interest is receivable at 12% per annum payable at six month intervals over the life of the loan.

On inception the conversion option and the share warrants were valued and the Board elected to classify these assets as fair-value through the profit and loss. The remaining value of the investment after deducting the value of the conversion option and the warrants was then assigned to the loan. The share price of Transeuro Energy Corporation rose significantly between the point at which the terms of the loan were originally discussed and the date the agreement was signed. Therefore, the strike price of the separable warrants and the conversion option were significantly below the market price of the shares and, accordingly, a significant value was attributed to these components with the residual element attributed to the loan. The following values were ascribed to the various elements at the date of the transaction:

Warrants	CA\$ 1,200,000
Convertibility	CA\$ 0
Loan	CA\$ 50,000

7. TRADE AND OTHER RECEIVABLES *continued*

The change in fair value of the warrants and the conversion option in the year are recorded through the Income Statement and the closing fair values are recorded within other financial assets at fair value through profit or loss as detailed in Note 8.

Interest accretes on the loan at an effective interest rate which is calculated using the opening value assigned to the loan of CA\$50,000 and the total value of the loan and the interest to be repaid of CA\$1,475,000. As a result of the low value attributed to the loan on inception of the contract, the effective interest rate on the loan is 857% per annum. The loan balance is included within Loans above.

During the year ended 30 June 2009, the loan has been accreted toward the full amount receivable. In December 2008 Transeuro Energy Corporation restructured its debt. Once the refinancing was complete, the original warrants were repriced down to CAD\$0.125, the Group received shares issued at CA\$0.10 for the interest payment of CAD\$75,000 due on 9 December 2008, and for each share half a warrant priced at CA\$0.15. In June 2009 a further interest payment of CA\$75,000 was due to the Group, which was also satisfied post year end by the issue of shares and warrants as per those issued 9 December 2008.

The shares received have been recorded within available-for-sale financial assets and the warrants received have been recorded within other financial assets at fair value through the profit or loss. Both components were valued at 30 June 2009 in accordance with the Group's accounting policies.

Trade receivables

Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2009, trade receivables of £15,196 (2007: £12,455) were three months past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 £	2008 £
3 to 6 months	95	2,990
Over 6 months	15,101	9,465
	15,196	12,455

As at 30 June 2009, there were no trade receivables that were impaired or provided for (2008: £nil).

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

	GROUP		COMPANY	
	2009 £	2008 RESTATED* £	2009 £	2008 RESTATED* £
Pound Sterling	428,627	1,988,994	962,895	2,009,855
Other currencies	246,135	28,264	246,135	28,264
	674,762	2,017,258	709,030	2,038,119

* Refer to Note 6 for the details of the prior year adjustment resulting from the adoption of IFRS 3 (revised) 'Business Combinations'.

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

	2009 £	2008 £
At 1 July	-	151,075
Provision for receivables impairment	19,687	-
Receivables written off during the year as uncollectable	(19,687)	(151,075)
At 30 June	-	-

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YEAR ENDED 30 JUNE 2009

8. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP AND COMPANY	2009 £	2008 £
Unlisted securities – held for trading		
- Equity securities - Canada	2,673	678,577
	2,673	678,577

During 2008 the Group acquired warrants and an option to convert in relation to a loan made to Transeuro Energy Corporation, details of which are provided in Note 7. Changes in fair values of other financial assets at fair value through profit or loss are recorded in 'other (losses)/gains on financial assets at fair value through profit or loss' in the income statement (Note 22).

The fair value of these securities is calculated using the Black-Scholes-Merton model with reference to the listed share price of Transeuro Energy Corporation at each balance sheet date. The inputs into the model and resulting fair values were as follows:

	Share price (CA\$)	Exercise price (CA\$)	Volatility	Expected life	Expected dividend yield	Risk free rate (CA\$)	Fair value (CA\$)
December 2008 warrants							
30 June 2009	0.03	0.125	121%	1.6 years	0%	3.08%	0.006
June 2008 warrants							
30 June 2009	0.03	0.125	121%	0.5 years	0%	3.08%	0.001
30 June 2008	0.39	0.250	121%	1.5 years	0%	4.65%	0.270

The conversion of the loan was given a 10% chance of occurring.

9. CAPITAL LEASE OBLIGATIONS

GROUP AND COMPANY	2009 £	2008 £
Non-current liabilities		
Capital lease obligations	1,044	13,565
	1,044	13,565
Current liabilities		
Capital lease obligations	12,521	12,521
	12,521	12,521

During 2008 the Company took out a hire purchase lease to acquire fixed assets. The lease has an interest rate of 0% and the loan is secured on the fixed assets.

10. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2009 £	2008 £	2009 £	2008 £
Current liabilities				
Trade creditors	356,619	241,478	328,448	219,576
Other tax and social security	53,636	54,067	53,636	54,067
Accruals and deferred income	324,434	713,062	325,434	713,562
	734,689	1,008,607	707,518	987,205

11. PROVISION FOR LIABILITIES AND CHARGES

GROUP AND COMPANY	Employers taxes on options £	Total £
At 1 July 2008	18,836	18,836
Release of provision	(15,217)	(15,217)
At 30 June 2009	3,619	3,619

Employers taxes on options represents the provision for National Insurance arising on the expected gain on share based awards granted to employees, The cash flows are expected to arise over the remaining life of the options.

The comparable table for 2008 is detailed below:

GROUP AND COMPANY	Employers taxes on options £	Onerous lease £	Dilapidations £	Total £
At 1 July 2007	26,478	94,966	248,832	370,276
Utilisation	-	(62,202)	(90,000)	(152,202)
Release of provision	(7,642)	(32,764)	(158,832)	(199,238)
At 30 June 2008	18,836	-	-	18,836

12. CONTINGENT LIABILITY

Shares were allotted to Mr. N. Doran, a director of the company, during 2006 which were funded by a loan of £2,678,849 from the Employee Benefit Trust. The loan is interest free and is secured over the shares and the individual is protected from downside risk should the shares be sold for a value of £10,000 less than the value of the loan. The loan term expires on 22 May 2016. If the shares were sold at a value below the value of the loan the company would be providing a benefit in kind to the individual to the value of the shortfall in the loan. The obligation to pay income tax on this benefit lies with the individual and the company would only be liable for the Employer's National Insurance on the amount of the loan written off. The maximum liability is £341,613 if the shares were sold for £nil, although the timing or actual amount of any shortfall is unknown. At 30 June 2009, based on the Company's share price of 1.574p, the liability arising would be £274,149. As it is unknown if any shortfall will materialise, no provision has been made for this liability.

13. FINANCIAL INSTRUMENTS

a. Policies and risks

(a) Financial instruments

The Group's financial instruments comprise long term loans and equity related investments (including deferred consideration) held within the portfolio, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main reason for holding the equity investments and long term loans is to achieve capital growth in their value and subsequently dispose of them realising a profit. The main risk arising from the Group's financial instruments is market price risk and the underlying performance of the portfolio companies being able to service their indebtedness to the Group.

(b) Financial risk management

The Group's operations expose it to a variety of financial risks that include market price risk, interest rate risk, credit risk, and currency risk. The Group's treasury policy which is determined by the Board of Directors governs the management of financial risks within the Group. In accordance with the treasury policy, the Group actively monitors and manages its financial risk exposures. The policy permits the use of financial instruments such as derivatives, where appropriate, however, derivatives are only used as hedging instruments against specific risks and are not used speculatively. There are no hedging instruments in place as at 30 June 2009 or 30 June 2008.

In relation to the Group's deposits as at the year ended 30 June 2009 these were split as follows:

Bank	Deposit	Rating (Standard and Poor's)
Lloyds TSB Bank	£1,400,000	A-1
Bank of Ireland	£807,250	A-1

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YEAR ENDED 30 JUNE 2009

13. FINANCIAL INSTRUMENTS *continued*

(c) Market price risk

The Group regularly monitors its investment portfolio and manages disposals to meet overall business requirements as they arise.

The Group is 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.

i) Listed investments

Some of the Group's investments are in oil & gas exploration companies. Due to the nature of oil and gas exploration the share price of these companies is inherently volatile and significant movements over a short period are not uncommon. A 25% change represents management's estimate of a reasonably possible change in equity prices at the balance sheet 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 Groups' equity. There is no effect on the Group's profit for the year as the assets are available-for-sale financial assets and any change in value is recorded directly in equity, unless it is believed that a diminution is permanent in which case it is charged to the Income Statement.

Effect on equity	2009 £	2008 £
Increase or decrease of 5% in equity prices	122,198	390,656
Increase or decrease of 25% in equity prices	610,989	1,953,282
Increase or decrease of 50% in equity prices	1,221,978	3,906,565

ii) Unlisted investments

A 25% change represents management's estimate of a reasonably possible change in equity value at the balance sheet date. 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 value. The following tables demonstrate the sensitivity to equity prices, with all other variables held constant, on the Groups' equity. There is no effect on the Group's profit for the year as the assets are available-for-sale financial assets and any change in value is recorded directly to equity, unless it is believed that a diminution is permanent in which case it is charged to the Income Statement.

Effect on equity	2009 £	2008 £
Increase or decrease of 5% in equity price	27,000	114,290
Increase or decrease of 25% in equity prices	134,999	571,198
Increase or decrease of 50% in equity prices	269,997	1,142,396

iii) Unlisted investments – valued based on a listed investment

The Group's investments include share warrants and loan conversion rights from a listed entity (Transeuro Energy Corporation). A 25% change represents management's estimate of a reasonably possible change in equity prices at the balance sheet date. Given the potential volatility of this stock 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. As the assets are held at fair value through profit or loss all movements are charged to profit before tax. The following tables demonstrate the sensitivity to equity prices, with all other variables held constant, on the Groups' profit before tax.

Effect on profit before tax	2009 £	2008 £
Decrease of 5% in equity prices	(353)	(44,917)
Increase of 5% in equity prices	385	45,324
Decrease of 25% in equity prices	(1,457)	(219,673)
Increase of 25% in equity prices	2,271	230,080
Decrease of 50% in equity prices	(2,251)	(422,316)
Increase of 50% in equity prices	5,437	467,095

13. FINANCIAL INSTRUMENTS continued

(d) Interest rate risk

Cash and cash equivalents (which are presented as a single class of asset on the balance sheet) 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.

Effect on equity	2009 £	2008 £
Fixed rate financial assets < 1 year	2,207,250	3,680,000
Floating rate financial assets < 1 year	309,642	563,690
Total	2,516,892	4,243,690

At 30 June 2009, short-term deposits were earning interest at a weighted average fixed deposit rate of 1.19% (2008: 5.52%). Cash at bank earns interest at floating rates based on a discount to GBP Base Rate.

(e) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Other than large corporate clients where credit risk is assumed to be low, client credit risk is managed by the use of credit scoring services and cash management procedures.

(f) Capital risk

The Group considers its capital under management to be its free cash and cash equivalents. The Group considers free cash to be the cash and cash equivalents available to it after having set aside resources to meet the ongoing operating costs of the Group for at least 18 months following each year end. The Group has no debt at this stage in its development and does not intend to take on debt to finance investments at the current time. The Group'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 undertakes financial modelling and technical assessments on proposed investments and will only consider investments where the internal rate of return is at least 15%.

Additionally the Group is required to set aside capital in relation to its authorised status under the FSA. This amounts to £5,000. In the period under review the Group met this requirement.

The Group's capital management objectives have not changed in the period under review. As stated in the Chairman's statement, the past 2 years have seen unprecedented turmoil in the financial and energy markets. In line with this the Group's net asset per share declined during the period under review (from 4.40 pence as at 30 June 2008 to 1.52 pence as at 30 June 2009). The Group is pleased, however, to note the recent significant improvement, post year end, in the share price of Faroe Petroleum from £0.7025 to £1.3675, its biggest single investment.

(g) Currency risk

The Group is exposed to foreign currency risk on investments in available-for-sale financial assets, loans receivable and assets held at fair value through profit and loss. The currencies giving rise to the risk are Canadian Dollars and Norwegian Krone.

The table below shows the extent to which Group companies have monetary assets at 30 June 2009 in currencies other than their functional currency. Foreign exchange differences on retranslation of available-for-sale financial assets are taken to equity while retranslation of loans receivable are taken to the income statement.

2009 - GROUP AND COMPANY	Net foreign currency monetary assets		
	Canadian Dollars £	Norwegian Krone £	Total £
Functional currency of Group operation			
Pound Sterling	260,597	56,450	317,047

2008 - GROUP AND COMPANY	Net foreign currency monetary assets		
	Canadian Dollars £	Norwegian Krone £	Total £
Functional currency of Group operation			
Pound Sterling	706,841	1,683,339	2,390,180

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YEAR ENDED 30 JUNE 2009

13. FINANCIAL INSTRUMENTS continued

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, on the Group's profit before tax and Group's equity.

	Increase or decrease of 25% in exchange rate against Sterling		
	Canadian Dollars £	Norwegian Krone £	Total £
2009			
Effect on Profit before tax	2,948	-	2,948
Effect on equity	62,202	14,113	76,315
2008			
Effect on Profit before tax	176,710	-	176,710
Effect on equity	176,710	420,835	597,545

b. 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 2009. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2009		2008	
	Book value £	Fair value £	Book value £	Fair value £
Cash and cash equivalents	2,516,892	2,516,892	4,243,690	4,243,690
Other non-derivative financial liabilities	(370,184)	(370,184)	(267,564)	(267,564)
Other non-derivative financial assets at fair value	2,986,624	2,986,624	*10,776,497	**10,776,497
Other non-derivative financial assets at amortised cost	394,944	843,109	*1,566,742	**2,158,978
	5,528,276	5,976,441	16,319,365	16,911,601

* In 2008 the total value of £12,343,239 was entirely classified as Other non-derivative financial assets

** In 2008 the total value of £12,935,475 was entirely classified as Other non-derivative financial assets

(a) Cash

The fair value approximates to the carrying value because of the short maturity of these instruments.

(b) Other non-derivative financial liabilities

The fair value approximates to the carrying value because the majority are associated with variable-rate interest payments that are re-aligned to market rates at intervals of less than one year.

(c) Other non-derivative 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.

(d) Other non-derivate financial assets at amortised cost

The fair values are greater than the book values as a significant proportion of the assets are not linked to a variable interest rate. The assets are sensitive to credit risk, in case of default, and to interest rates.

14. SHARE CAPITAL

	2009 £	Authorised 2008 £
Ordinary shares of £0.05 each	450,000,000	450,000,000
	£	£
Ordinary shares of £0.05 each	22,500,000	22,500,000
	Allotted, Called Up and Paid Up	
	2009 No.	2008 No.
Ordinary shares of £0.05 each	368,341,780	368,341,780
	£	£
Ordinary shares of £0.05 each	18,417,089	18,417,089

Share Options

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 2009, 4 employees (2008: 4) held share options.

Share options have been awarded under three different schemes:

- EMI options; a government approved scheme for qualifying companies
- Unapproved options
- Unapproved options with vesting conditions

The movement in share awards during the year ended 30 June 2009 is as follows:

	2009		2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	54,675,472	£0.0693	54,375,472	£0.0691
Granted	-	-	550,000	£0.0800
Forfeited	-	-	(250,000)	£0.0538
Outstanding at 30 June	54,675,472	£0.0693	54,675,472	£0.0693
Exercisable at 30 June	21,006,523	£0.0521	20,623,189	£0.0516

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

14. SHARE CAPITAL continued

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price	2009	2008
25 February 2010	5.00 pence	1,187,500	1,187,500
13 March 2010	5.00 pence	2,694,048	2,694,048
8 April 2013	5.00 pence	9,884,051	9,884,051
8 April 2013	5.38 pence	1,666,667	1,666,667
24 July 2013	5.38 pence	1,799,256	1,799,256
27 April 2014	5.00 pence	250,000	250,000
20 December 2014	5.38 pence	483,334	483,334
25 February 2015	5.75 pence	25,000	25,000
1 April 2015	6.75 pence	50,000	50,000
12 December 2015	5.00 pence	2,000,000	2,000,000
30 April 2016	8.00 pence	33,485,616	33,485,616
12 March 2017	8.00 pence	600,000	600,000
13 December 2017	8.00 pence	550,000	550,000
		54,675,472	54,675,472

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
February 2000	N/A	£0.0500	N/A	0 years	10 years	N/A	N/A	N/A
March 2000	N/A	£0.0500	N/A	0 years	10 years	N/A	N/A	N/A
April 2003	£0.0308	£0.0500	107%	3 years	10 years	0%	4.41%	£0.0279
July 2003	£0.0473	£0.0538	113%	5 years	10 years	0%	4.43%	£0.0444
April 2004	N/A	£0.0500	N/A	0 years	10 years	N/A	N/A	N/A
December 2004	£0.0491	£0.0538	94%	3 years	10 years	0%	4.53%	£0.0435
February 2005	£0.0736	£0.0575	92%	1 year	10 years	0%	4.61%	£0.0662
April 2005	N/A	£0.0675	N/A	0 years	10 years	N/A	N/A	N/A
December 2005	£0.0616	£0.0500	84%	0 years	10 years	0%	4.22%	£0.0534
May 2006*	£0.0698	£0.0800	81%	0 years	10 years	0%	4.63%	£0.0464
May 2006**	£0.0698	£0.0800	81%	0 years	10 years	0%	4.63%	£0.0290
March 2007	£0.0632	£0.0800	75%	3 years	10 years	0%	4.83%	£0.0501
December 2007	£0.0545	£0.0800	71%	3 years	10 years	0%	4.65%	£0.0375

* Half of the May 2006 options had a market based condition that the share price must reach 18 pence; this was given a success rating of 80%. The cost has been spread over the life of the options.

** Half of the May 2006 options had a market based condition that the share price must reach 27 pence; this was given a success rating of 50%. The cost has been spread over the life of the options.

Options issued in February 2000, March 2000, April 2004 and April 2005 did not meet the requirements to be included under IFRS, so a fair value figure has not been calculated.

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

Additionally, shares were allotted to Mr. N. Doran 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.

15. STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Merger reserve	Employee benefit trust reserve	Foreign exchange reserve	Revaluation reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 July 2007	18,417,089	(952,109)	(1,128,008)	-	344,382	(684,410)	15,996,944
Retained loss for the period	-	-	-	-	-	(702,827)	(702,827)
Revaluation of available-for-sale investments	-	-	-	159,149	621,777	-	780,926
Total recognised income and expense for the period	-	-	-	159,149	621,777	(702,827)	78,099
Share-based payments	-	-	-	-	-	138,949	138,949
At 30 June 2008	18,417,089	(952,109)	(1,128,008)	159,149	966,159	(1,248,288)	16,213,992
Retained loss for the period	-	-	-	-	-	(6,896,374)	(6,896,374)
Revaluation of available-for-sale investments	-	-	-	(1,767)	(3,859,063)	-	(3,860,830)
Total recognised income and expense for the period	-	-	-	(1,767)	(3,859,063)	(6,896,374)	(10,757,204)
Share-based payments	-	-	-	-	-	136,467	136,467
At 30 June 2009	18,417,089	(952,109)	(1,128,008)	157,382	(2,892,904)	(8,008,195)	5,593,255

The employee benefit trust reserve represents the debit created by share based treatment of the employee benefit trust. The revaluation reserve represents the changes in the value of available-for-sale investments that are deemed by the Directors to be temporary and therefore have not been dealt with in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

15. STATEMENT OF CHANGES IN EQUITY continued

COMPANY	Share capital	Merger reserve	Employee benefit trust reserve	Foreign exchange reserve	Revaluation reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 July 2007	18,417,089	1,454,546	(1,128,008)	-	344,382	(2,852,028)	16,235,981
Retained loss for the period	-	-	-	-	-	(904,681)	(904,681)
Revaluation of available-for-sale investments	-	-	-	159,149	621,777	-	780,926
Total recognised income and expense for the period	-	-	-	159,149	621,777	(904,681)	(123,755)
Share-based payments	-	-	-	-	-	138,949	138,949
At 30 June 2008	18,417,089	1,454,546	(1,128,008)	159,149	966,159	(3,617,760)	16,251,175
Retained loss for the period	-	-	-	-	-	(6,846,203)	(6,846,203)
Revaluation of available-for-sale investments	-	-	-	(1,767)	(3,859,063)	-	(3,860,830)
Total recognised income and expense for the period	-	-	-	(1,767)	(3,859,063)	(6,846,203)	(10,707,033)
Share-based payments	-	-	-	-	-	136,467	136,467
At 30 June 2009	18,417,089	1,454,546	(1,128,008)	157,382	(2,892,904)	(10,327,496)	5,680,609

The employee benefit trust reserve represents the debit created by share based treatment of the employee benefit trust. The revaluation reserve represents the changes in the value of available-for-sale investments that are deemed by the Directors to be temporary and therefore have not been dealt with in the income statement.

16. OPERATING LOSS

	2009 £	2008 £
The operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
- Owned tangible fixed assets	58,503	58,635
- Under finance leases	12,521	11,478
Provision for onerous lease (Note 11)	-	(32,764)
Provision for dilapidations (Note 11)	-	(158,832)
Provision for employers taxes on share options (Note 11)	(15,217)	(7,642)
Operating Lease Rentals: Other	224,404	242,591
Gain on disposal of property, plant and equipment	-	(3,234)
Aborted reverse takeover – professional fees	418,504	-
Exchange (gain)/loss	(11,245)	30,961
Operating lease rental income	-	(12,352)

Auditors' Remuneration

	2009 £	2008 £
Audit fees payable to the auditor for the audit of the Company's annual financial statements	30,000	40,000
Fees payable to the Company's auditors and its associates for other services supplied pursuant to legislation		
Audit of the Company's subsidiaries pursuant to legislation	20,000	35,615
Other services relating to Corporate finance activity	62,170	-
Other services relating to taxation	7,000	19,430
Other services	15,000	-
	134,170	95,045

Other services relate to the provision of accounting advice.

17. STAFF COSTS

Staff costs (including Executive Directors) during the year comprise:

GROUP	2009 £	2008 £
Wages and salaries	609,974	992,974
Social security costs	103,087	158,438
Other pension costs	12,300	5,513
Charge for share based payments	136,467	138,949
	861,828	1,295,874

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

	2009 No.	2008 No.
Administration and management	6	6

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

18. DIRECTORS' EMOLUMENTS

	2009 £	2008 £
Aggregate emoluments	720,566	973,809
Pension contributions	7,738	3,000
Gain on share options	-	-
	728,304	976,809
Highest paid Director: Emoluments	480,088	536,831
Gain on share options	-	-
	480,088	536,831

During the year one (2008: one) Director accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £7,738 (2008: £3,000). £nil (2008: £nil) was contributed to the pension scheme in respect of the highest paid Director. No Director exercised share options in the period (2008: none).

Key Management was comprised solely of the Executive Directors. The total charge for Key Management was £726,171 (2008: £1,115,221) of this amount £129,534 (2008: £138,412) related to share based payments.

Highest paid Director

The emoluments paid to the highest paid Director of £480,088 (2008: £536,831) include £274,196 (2008: £280,939) that relates to the benefit in kind created out of the establishment of the Group's Employee Benefit Trust scheme under which Mr. N. Doran has acquired 33,485,616 shares at 8p per share.

19. FINANCE INCOME

	2009 £	2008 £
Bank interest receivable	136,230	471,894
Other interest receivable	287	-
Imputed interest receivable	263,384	33,077
	399,901	504,971

The imputed interest receivable of £263,384 (2008: £33,077) represents the accretion of the value of assets that have been discounted over time, of which £242,136 (2008: £3,444) relates to the loan to Transeuro Energy Corporation.

20. FINANCE COSTS

	2009 £	2008 £
Imputed interest payable on capital lease	803	803
	803	803

21. PROFIT ON SALE OF INVESTMENTS

On 27 June 2008 the Group sold its entire holding in Metapraxis Limited to Mr. K. Olisa for a consideration of £280,000, the fair value of the consideration at 30 June 2008 was £277,629. After expenses the Group recognised a profit on disposal of £26,336.

On 13 May 2008 the Group sold its entire holding in PA Resources AB for a consideration of £1,272,787. After expenses the Group recognised a profit on disposal of £277,370.

22. OTHER (LOSSES)/GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 £	2008 £
Other financial assets at fair value through profit or loss		
- Fair value (losses)/gains	(689,130)	89,229
	(689,130)	89,229

23. TAXATION

	2009 £	2008 £
Current tax:		
Corporation tax at 28% (2008: 30%) based on the loss for the year	-	-

The differences from the standard charge are explained below:

	2009 £	2008 £
Loss on ordinary activities before tax	(6,896,374)	(846,311)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	(1,930,985)	(253,893)
Expenses not deductible for tax purposes and other permanent differences	137,548	247
Depreciation in the year in excess of capital allowances	17,703	(17,334)
Other timing differences	33,950	-
Investments written down - not tax deductible	978,311	-
Losses not taxable	352,459	50,500
Unrelieved tax losses	411,014	220,480
Total tax charge for the year	-	-

The tax charge arising on the loss on discontinued operations is £nil (2008: £nil) as the loss is not taxable.

The standard rate of tax in the UK reduced from 30 per cent to 28 per cent on 1 April 2008 and the rate of 28% is utilised to determine the tax charge for the year ended 30 June 2009.

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of excess management expenses available are £14.0m (2008: £12.5m), and the amount of capital losses available are £70.0m (2008: £70.0m).

24. DISCONTINUED OPERATIONS

On 8 November 2007 the Group sold its entire holding in Quayside Corporate Services Limited to Mr. D. Mills for a consideration of up to £2,600,000, the fair value of the total consideration was £1,473,560. After expenses the Group recognised a loss on disposal of £682,039.

During 2008 the Group released the warranty provision of £210,000 that was accrued to cover potential claims against the debtor book of Yospace Technologies Limited, a subsidiary that was sold on 2 February 2007.

In the year ended 30 June 2009 the Group recognised a decrease of £569,652 in the value of the deferred consideration receivable for Mr. D. Mills in relation to the disposal of Quayside Corporate Services Limited, resulting in a total loss of disposal of £1,251,691 to 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

24. DISCONTINUED OPERATIONS continued

(a) Results from discontinued operations

	2009 £	2008 £
Revenue	-	62,982
Cost of sales	-	92,111
Operating expenses	-	(11,798)
Operating profit	-	143,295
Finance income	-	189
Profit before tax	-	143,484
Taxation	-	-
Profit after tax- operations	-	143,484
Loss on disposal	(569,652)	(472,039)
Loss after tax- discontinued operations	(569,652)	(328,555)

(b) Assets and liabilities of the discontinued operations at the date of disposal

GROUP	2009 £	2008 At disposal £
Goodwill	-	2,177,829
Property, plant and equipment	-	15,878
Trade and other receivables	-	423,609
Cash and cash equivalents	-	15,685
Total assets	-	2,633,001
Trade and other payables	-	(518,705)
Total net assets disposed of	-	2,114,296
Net assets	-	2,114,296
Legal cost of disposal	-	41,303
Loss on disposal	-	(682,039)
	-	1,473,560
Satisfied by:		
Cash	-	630,550
Loan secured by shares	-	843,010
	-	1,473,560

25. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the Parent Company is £6,846,203 (2008: £904,681).

26. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash flow from continuing operations

	GROUP		COMPANY	
	2009 £	2008 £	2009 £	2008 £
Operating loss	(2,542,723)	(1,271,375)	(2,518,479)	(1,197,895)
Depreciation	71,024	70,113	71,024	70,113
Gain on disposal of fixed assets	-	(3,234)	-	(3,234)
Charge for share based payments	136,467	138,949	136,467	138,949
Decrease/(Increase) in debtors	1,214,775	(1,016,181)	1,203,179	(1,041,190)
(Decrease)/Increase in creditors	(269,706)	412,903	(275,545)	343,711
Decrease in other provisions	(15,217)	(351,440)	(15,217)	(351,440)
Net cash flow from operations	(1,405,380)	(2,020,265)	(1,398,571)	(2,040,986)

(b) Reconciliation of operating profit to net cash flow from discontinued operations

	GROUP	
	2009 £	2008 £
Operating profit	-	143,295
Depreciation	-	1,453
Gain on disposal of fixed assets	-	(447)
Increase in debtors	-	(146,929)
Decrease in creditors	-	(1,622)
Net cash flow from operations	-	(4,250)

(c) Reconciliation of cash flows from discontinued operations

Cash in/(out) flow from operating activities total £nil (2008: £(3,911)). These figures were made up of: operating activities £nil (2008: £(4,250)) and interest received £nil (2008: £339).

Cash flow from investing activities total £nil (2008: £(8,685)). These figures were made up of: cash disposed of with subsidiary £nil (2008: £(15,685)), and proceeds from sale of property, plant and equipment £nil (2008: £7,000).

27. OTHER FINANCIAL COMMITMENTS

The following amounts are the minimum contractual amounts payable on operating leases:

	Land and Buildings	
	2009 £	2008 £
Within one year	128,800	131,600
	128,800	131,600
	Other operating leases	
	2009 £	2008 £
Within two to five years	588	1,187
	588	1,187

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2009

28. 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.

(a) Transactions with Subsidiaries

Transactions with subsidiaries mainly comprise sale and purchase of goods and services in the ordinary course of business and in total amounted to £nil (2008: £45,000).

Balances outstanding at 30 June 2009, and 2008 in respect of the above transactions are shown in Notes 7 and 10.

(b) Transactions with Directors

During the previous year Quayside Corporate Services Limited ('Quayside') provided services to a number of companies where Mr. D. Mills, a former Director of the Group, serves as a Director. The amount of services provided to these companies during the year totalled £nil (2008: £20,000).

During the previous year Quayside received services from a number of companies where Mr. D. Mills serves as a director. The amount of services received from these companies during the year totalled £nil (2008: £5,890).

During the year The Parkmead Group plc provided corporate advisory services to Thruvision Limited, a company where Mr. N. Doran, is a Director. The value of services provided amounted to £7,500 (2008: £10,000) of which £nil (2008: £14,307) was unpaid at the year end. During the year bad debts totalling £19,687 were written off.

During the year The Parkmead Group plc provided corporate advisory services to Red-M Group Limited, a company where Mr. G. Ashworth, was a Director. The value of services provided amounted to £2,500 (2008: £25,000).

During the previous year Quayside procured services from Wordsters Limited, a company where Ms. A. Mills, the wife of Mr. D. Mills, is a Director. The value of services provided amounted to £nil (2008: £5,000).

Included within trade creditors at the year end are the following amounts due to non-executive directors' companies, in respect of remuneration for the following directors included within directors' emoluments in Note 18: Mr. C. Goodall £nil (2008: £3,750) Mr. B. Wilson £1,150 (2008: £2,350) and Mr. J. Leggate £1,243 (2008: £4,700).

(c) Transactions with Other Related Parties

On 27 June 2008 the Group sold its entire holding in Metapraxis Limited to Mr. K. Olisa, a significant shareholder, for a consideration of £280,000. After expenses the Group recognised a profit on disposal of £26,336. There was an outstanding debtor at 30 June 2009 of £nil (2008: £280,000), carried at a fair value £nil (2008: £277,629).

On 8 November 2007 the Group sold its entire holding in Quayside Corporate Services Limited to Mr. D. Mills as per the terms of the arrangement, part of the consideration was deferred, (see Note 6). At 30 June 2009 there was an outstanding receivable carried at a fair value of £325,312 (2008: £876,087).

29. POST BALANCE SHEET EVENTS

Acquisition of Aupec Limited

On 3 November 2009 the Group completed the acquisition of the entire share capital of Aupec Limited ("Aupec"). Aupec is a respected global authority in energy sector economics, valuation and benchmarking and has been providing economic consultancy services to the oil and gas sector for over 20 years. Further information about the acquisition is available in the Circular issued 12 October 2009 and approved by shareholders 2 November 2009; this document is available on the Group's website (www.parkmeadgroup.com).

The acquisition consideration amounts to £3.882 million, satisfied by the issue of 235.3 million New Ordinary Shares and £1.0 million in cash.

Due to the fact that the acquisition was completed on 3 November 2009 and the Group's financial statements are required to be posted to shareholders in December 2009 it was not possible for reliable figures to be prepared regarding Aupec's identifiable assets, liabilities, contingent liabilities or goodwill.

The vendors of Aupec include Mr. T. Cross, a Non-Executive Director of the Group. Accordingly the acquisition was a related party transaction.

Capital reorganisation

As a part of the transaction noted above the Company implemented a capital reorganisation whereby each of its Ordinary Shares of 5 pence each was split in to one New Ordinary Share of 0.1 pence each and one Deferred Share of 4.9 pence each. The 2006 Companies Act provides that a company may not lawfully issue a share for a subscription price which is less than its nominal value. Accordingly, the capital reorganisation, will put the Company in to a position whereby it can use its shares to allot for cash or as consideration for use in future transactions.

Faroe Petroleum

Since the year end Faroe Petroleum plc has announced a number of test results from its exploration drilling program in particular Glenlivet and Tornado produced gas and oil discoveries. This news has had a significant impact on the share price of Faroe Petroleum plc which has increased from £0.7025 at 30 June 2009 to £1.3675 as at 27 November 2009. The effect of this movement, based on a share price of £1.3675 will be a credit through the statement of recognized income and expense of £1.9 million.

NOTICE OF ANNUAL GENERAL MEETING

Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3914068

Notice is hereby given that the Annual General Meeting ("AGM") of The Parkmead Group plc (the "Company") will be held at 2nd Floor, Vigo House, 1-4 Vigo Street, London W1S 3HT at 10.30am on 31 December 2009 for the purposes of considering and, if thought fit, passing the following resolutions, which will be proposed as ordinary resolutions.

ORDINARY BUSINESS

1. To receive and consider the Company's accounts for the financial year ended 30 June 2009 together with the last Directors' report and the auditors' report.
2. To reappoint Colin Goodall as a Director, who retires by rotation and who, being eligible, offers himself for reappointment.
3. To reappoint Thomas Cross as a Director who retires by rotation and who, being eligible, offers himself for reappointment.
4. To reappoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the Directors.

BY ORDER OF The Board
2 December 2009



Gordon Ashworth
Company Secretary
2 December 2009

Registered Office
2nd Floor, Vigo House
1-4 Vigo Street
London W1S 3HT

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the relevant register of securities by 6.00pm on 24 December 2009 or, in the event that the AGM is adjourned, in the relevant register of securities 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote in respect of the number of Ordinary Shares registered in their name at the relevant time. Changes to entries in the relevant register of securities after 6pm on 24 December 2009 or, in the event that the AGM is adjourned, less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the AGM.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. To appoint a proxy using the proxy form, the form must be completed and signed and returned to the Company's registrars, Capita Registrars, at Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not later than 48 hours before the time appointed for holding the AGM.
4. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8. Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.
9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut off time will be disregarded.
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that:
 - 11.1 If a corporate shareholder has appointed the chairman of the AGM as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the AGM, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for a sample form of appointment letter if the chairman is being appointed as described above.
 - 11.2 Where a corporate shareholder has appointed one or more corporate representatives (other than the chairman of the AGM) then:
 - 11.2.1 on a vote on a resolution on a show of hands, each such corporate representative has the same voting rights as the corporation would be entitled to; but
 - 11.2.2 in respect of any purported exercise of power other than on a vote on a resolution on a show of hands, where more than one corporate representative purports to exercise such power in respect of the same shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way but if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

DIRECTORS AND ADVISORS

EXECUTIVE DIRECTORS

Niall Doran
Gordon Ashworth

NON-EXECUTIVE DIRECTORS

Colin Goodall
Thomas Cross
Faysal Hamza
John Leggate
Brian Wilson

SECRETARY

Gordon Ashworth

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REGISTRARS

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NOMINATED ADVISOR & BROKER

Charles Stanley Securities
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London EC2A 4AR

REGISTERED OFFICE

2nd Floor
Vigo House
1-4 Vigo Street
London W1S 3HT

REGISTERED NUMBER

03914068

