

Registered Number 03914068

The Parkmead Group plc

Financial Statements

For year end 30 June 2016



PARKMEAD GROUP ANNUAL REPORT 2016

The Parkmead Group is an independent oil and gas, exploration and production company listed on the London Stock Exchange. The Group currently produces gas from a portfolio of fields across the Netherlands and holds interests in 36 exploration and production blocks across Europe. Parkmead has significant development opportunities within the UK and Netherlands, including the Greater Perth Area development located in the Central North Sea.

CHAIRMAN'S STATEMENT

“This has been an excellent year of progress for Parkmead, despite the challenging low oil price environment. Building on the significant growth in the prior period, the Company achieved first commercial gas production from the Diever West field in the Netherlands. The field has performed well above expectations, averaging some 30 million cubic feet per day (approximately 5,340 barrels of oil equivalent per day) since first production.

Parkmead has also delivered a highly successful period of licence acquisition growth. The Company increased its equity in a major oil area of the UK Central North Sea through two transactions. The first doubled Parkmead's stake in the Polecat and Marten oil fields, increasing the Company's 2C resources by 41%. This was followed by Parkmead increasing its interest in the Perth and Dolphin oil fields which are at the core of the major Perth-Dolphin-Lowlander (PDL) oil hub project.”

Operations and Portfolio Growth

Parkmead has made further progress towards building a balanced independent oil and gas group of breadth and scale, by developing its current portfolio and adding new assets through acquisition and through the licensing round process.

Major milestones have been achieved across Parkmead's licence portfolio in the Netherlands. In November 2015, first commercial production was achieved at the Diever West gas field.

The field was discovered in September 2014 and, through a fast-track and low-cost development programme, it was tied into existing production facilities through a new dedicated pipeline with gas export via the Garijp treatment system. Parkmead worked closely with its joint-venture partners on the fast-track development of the Diever West field, and the partnership successfully brought the field onstream within just 14 months of discovery. This is an outstanding achievement.

The Diever-2 well was drilled on behalf of the co-venturers by operator Vermilion Energy, and gas was discovered in a good quality Rotliegendes age sandstone reservoir. A 157 foot gas column was encountered, with both net pay and porosity values exceeding pre-drill expectations. The field has performed well above expectations since first production, averaging 30 million cubic feet per day (approximately 5,340 barrels of oil equivalent per day). The new production from Diever West has increased Parkmead's net gas production in the Netherlands more than six fold.

Parkmead's low-cost onshore portfolio in the Netherlands produces gas from four separate fields with a very low average operating cost of just US\$14 per barrel of oil equivalent. The profitable gas production from Diever West, and Parkmead's wider portfolio of gas fields in the Netherlands, provides important cash flow to the Group.

A number of enhanced production opportunities have been identified within Parkmead's existing Netherlands portfolio, which the Group intends to capitalise on with the aim of further increasing its gas production. These include a new low-cost infill well at Geesbrug and workovers at Brakel and Grolloo. In addition, a further Rotliegendes exploration target, De Mussels, has been identified. Parkmead's robust gas production in the Netherlands serves as a natural hedge to low and volatile oil prices.

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

The Polecat and Marten fields lie approximately 20km east of the Buzzard field, and are located close to Parkmead's major PDL hub project in the prolific Moray Firth area of the Central North Sea. Polecat and Marten are two sizeable existing Buzzard sandstone oil accumulations, which are jointly estimated to hold over 90 million barrels of oil in place and over 33 million barrels of 2C resources. Through this acquisition, Parkmead has increased the Group's total 2C resources by 41%, from 41.9 to 59.1 million barrels of oil equivalent.

Polecat and Marten have the potential to be highly valuable to Parkmead as, given their close proximity to PDL, they could be jointly developed as part of the Greater PDL Area project. Polecat was discovered in 2005 and appraised in 2010. The 2010 appraisal well flow tested at 4,373 barrels per day of good quality 32° API oil. The Marten discovery was made in 1984, encountering three oil bearing Upper Buzzard sandstone intervals. Parkmead benefits from the large amount of existing data on the block, gathered as a result of wells already drilled in the area.

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

Perth and Dolphin are located in the Moray Firth area of the UK Central North Sea, which contains very large oil fields such as Piper, Claymore and Tartan. Through a series of licensing round successes and strategic acquisitions, Parkmead has established an important position for itself in this area of the

North Sea. Perth and Dolphin are two substantial Upper Jurassic Claymore sandstone accumulations that have tested 32-38° API oil at production rates of up to 6,000 bopd per well. As a result of this latest move, Parkmead has increased the Group's total proved and probable (2P) reserves by 19% from 23.5 to 27.9 million barrels of oil equivalent.

PDL is one of the largest undeveloped oil projects in the North Sea. During 2014, a joint development study was carried out to assess the potential of a development of the Lowlander field with Perth and Dolphin. The analysis indicated that a joint development of the three fields could significantly increase the value of the Perth area.

An integrated, single project would create valuable economies of scale, by using the same dedicated production facilities, whilst providing a new long-term hub for other future projects in the area. The three fields have been fully appraised, with a combined total of 13 wells drilled, and contain oil in place of over 400 million barrels. It is expected that recoverable reserves from the PDL oil hub development will be over 80 million barrels of oil, which is double the initial recoverable reserves of the Perth field as a standalone project.

Parkmead has made further progress in the period on the PDL project, conducting detailed engineering and commercial work in addition to working alongside regional partners in line with the Wood Review and Moray Firth area study. Parkmead has continued to work towards incorporating other proven oil fields in the wider area into the PDL development. The Group's technical team is studying a number of further oil accumulations in the area. One of these is the Athena oil field to the west of Perth, in which Parkmead is the largest equity owner.

Parkmead has also added exciting exploration acreage to its portfolio during this reporting period. In July 2015, the Company was awarded a new licence in the highly prospective West of Shetland area. This new licence, covering Block 205/13, lies adjacent to Parkmead's existing licence in the area targeting the large Davaar prospect. Detailed mapping of Block 205/13 indicates two new exploration targets, Sanda North and Sanda South, which have the potential to contain 280 million barrels of recoverable oil on a most likely, P50 basis. Parkmead's experienced team of geoscientists has already begun detailed seismic reprocessing work on this new licence.

Parkmead will continue to invest in licensing round applications and views this as a key component in the Group's strategy of building an attractive and balanced portfolio with significant exploration upside.

Results

The Group's revenue for the year to 30 June 2016 was £10.4m (2015: £18.6m). The significant reduction in global oil prices has in turn reduced the Group's revenue during the period. During the financial year the price of Brent crude oil averaged US\$43 per barrel and fell to a thirteen-year low of US\$26 per barrel in January 2016. This is a significant reduction from the previous year's average oil price of US\$74 per barrel and has therefore severely impacted the revenues and cash flows of oil and gas producers globally. Parkmead and its co-venturers have worked tirelessly to reduce operating costs across the entire asset portfolio to reflect the considerably altered macro environment.

Oil production at the Athena field was shut-in in January 2016 as part of this cost reduction programme, substantially reducing the Group's cost of sales from this point forward. Parkmead has re-allocated capital to the Company's low-cost producing gas fields in the Netherlands, where Parkmead's four separate gas fields have an average operating cost of just US\$14 per barrel of oil equivalent. The new Diever West field in particular has extremely low operating costs in the region of US\$12 per barrel of oil equivalent. Parkmead's gas portfolio in the Netherlands generates positive cash flows despite the low current commodity prices. Administrative expenses were £0.5m (2015: £1.2m credit), which includes a credit in respect of a non-cash share based payment charge.

Parkmead's total assets at 30 June 2016 were £87.5m (2015: £105.6m). Available-for-sale financial assets were £2.6m (2015: £3.3m). Cash and cash equivalents at year end were £28.3m (2015: £41.1m). Parkmead is very carefully managed and remains debt free. The Group's net asset value was £73.2m (2015: £80.5m). Parkmead is therefore well positioned to withstand the current market conditions, and indeed views the current macro environment as an opportunity for further growth. This positive position is a direct result of experienced portfolio management and a strong focus on capital discipline.

Due to Parkmead's ongoing growth opportunities and associated investment programme, the Board is not recommending the payment of a dividend in 2016 (2015:£nil).

Investments

The Group's principal available-for-sale investment is its shareholding in Faroe Petroleum plc ("Faroe") (LSE AIM: FPM.L). As at 30 June 2016, the value of this investment was £2.6m (30 June 2015: £3.3m). Faroe's closing share price at 30 June 2016 was 68.00 pence per share.

CHAIRMAN'S STATEMENT CONTINUED

Outlook

The Directors of Parkmead are pleased with the Group's continuing progress in building an independent oil and gas company of increasing breadth and scale. Parkmead has a balanced portfolio of licences, growing gas production and a strong asset base. Therefore, we believe Parkmead is well positioned to build further on its successes to date and to capitalise on new opportunities. In particular, we are delighted by the outperformance of production achieved at Diever West and the significant additional oil reserves secured in the UK North Sea at Perth and Dolphin, which strengthens our strategic position in the region.

As we move towards 2017, Parkmead maintains its appetite for acquisitions. We will also seek to add shareholder value through a dynamic work programme to maximise the inherent value in our existing assets. The Group has built a strong platform from which to become a key E&P player in the North Sea, and we look forward to updating shareholders as we make further progress.



Tom Cross
Executive Chairman
17 November 2016

REVIEW OF OPERATIONS

Parkmead is now established as a full cycle, upstream oil and gas company and we remain focused on our strategy of building a portfolio that balances exciting exploration prospects with low risk, revenue generating assets.

During 2016 we have made excellent progress on the Group's key projects. In addition, we have high-graded our portfolio to maximise future value and used our team's technical experience to develop Parkmead's core reserve and resources base.

Dr Colin Percival
Technical Director

OUR KEY OPERATIONAL DRIVERS

- 1 win licences
- 2 de-risk prospects with technical appraisal
- 3 collaborate with project partners to enhance development efficiency
- 4 utilise existing infrastructure in 'hubs' to maximise returns
- 5 fast track projects to revenue generation
- 6 seek out and assess new E&P opportunities

CENTRAL NORTH SEA

Parkmead increased its equity in two major oil areas of the UK Central North Sea during 2016. The company doubled its stake in the Polecat and Marten oil fields, increasing Parkmead's 2C resources by 41%. This was followed by the Company increasing its equity in the Perth and Dolphin oil fields to 60.05%. The Perth and Dolphin fields are located at the core of the major PDL oil hub project.

WEST OF SHETLAND

The Group was successfully awarded a new exploration licence in the highly prospective West of Shetland area in July 2015. This new licence, covering Block 205/13, lies adjacent to Parkmead's existing licence in this area targeting the large Davaar prospect. Two exploration targets, Sanda North and Sanda South, have been mapped on the new licence. The proposed work programme consists of a biostratigraphy study, an EM feasibility study and PSTM reprocessing trials.

SOUTHERN GAS BASIN

Significant progress was made during the year at the Platypus gas field. Detailed development concept work was undertaken by the joint-venture partners in order to optimise the development of the field. It was found that by collaborating with other facilities in the area a minimal platform concept can be adopted, substantially reducing development expenditure. In addition, the field's gas reserves can be efficiently recovered from two rather than three development wells. This increases the value of the already economic Platypus development.

INVESTING IN A MAJOR NEW OIL HUB

Excellent progress has been made during 2016 on the major Perth Dolphin Lowlander (PDL) oil hub in the Central North Sea. Parkmead increased its equity in the main Perth and Dolphin fields, in addition to expanding the project upside by doubling its stake in the Polecat and Marten accumulations to the south east of Perth.

PDL is one of the largest undeveloped oil projects in the North Sea today. The three core fields have been fully appraised with a combined total of 13 wells drilled and contain oil in place of over 400 million barrels.

INCREASING LOW-COST GAS PRODUCTION IN THE NETHERLANDS

The acquisition of Parkmead's Netherlands portfolio in 2012 has provided the Company with an excellent set of long-term assets. All located onshore, these assets provide continuous long-life gas production as well as numerous low risk exploration and development opportunities.

The portfolio consists of four producing gas fields; Geesbrug, Brakel, Grolloo and Diever West. In May 2016, the production across these fields averaged 37 million cubic feet per day (approximately 6,370 barrels of oil equivalent per day). These gas assets in the Netherlands continue to provide a robust revenue stream and positive net cash flows to the Company and Parkmead has re-allocated capital to these low-cost assets with the aim of increasing the production further.

The average operating cost of the portfolio is US\$14 per barrel of oil equivalent, and the new Diever West field in particular has extremely low operating costs in the region of US\$12 per barrel of oil equivalent.

A number of enhanced production opportunities have been identified within Parkmead's existing Netherlands portfolio, which the Group intends to capitalise on with the aim of further increasing its net gas production. These include a new low-cost infill well at Geesbrug and workovers at Brakel and Grolloo. In addition, a further Rotliegendes exploration target, De Mussels, has been identified. Parkmead's gas production in the Netherlands serves as a natural hedge to low and volatile oil prices.

Parkmead's new Diever West gas field has been an outstanding success and production has continued to perform above expectations since first production. The Diever-2, well which was drilled in September 2014, confirmed the presence of all three productive formations in the Lower Permian Rotliegend sandstone in this area. The Slochteren Sandstone formation in the vicinity possesses excellent reservoir properties, typically exhibiting a net-to-gross ratio in excess of 90% and porosities of approximately 20%.

PRODUCTION, APPRAISAL AND EXPLORATION ASSETS AT 31 OCTOBER 2016

Licence	Block Designation	Field/ Discovery	Prospect/ Opportunity	Operator	Parkmead Equity %	Co-Venturer(s)
UK Central North Sea						
P. 218	15/21a North Area	Perth		Parkmead	60.05	Faroe 39.95%
	15/21a South Area	Dolphin/Sigma		Parkmead	60.05	Faroe 39.95%
	15/21f			Parkmead	60.05	Faroe 39.95%
P. 588	15/21c	Perth		Parkmead	60.05	Faroe 39.95%
	15/21b	Residual		Parkmead	60.05	Faroe 39.95%
P. 1293	14/18b	Athena		Ithaca	30.00	Ithaca 22.5%, Dyas 17.5%, Spike 15%, Trap 15%
P. 2082	30/12c, 13c, 17e, 18c		Skerryvore	Parkmead	30.50	Atlantic 30.5%, Verus Petroleum 25%, Dyas 14%
P. 2156	15/11 & 15/16f		Fynn/Penny	Parkmead	25.00	Faroe 25%, CalEnergy 25%, Verus Petroleum 25%
P. 2206	16/22d		North Burghley	Parkmead	60.00	Dyas 40%
P. 2218	20/3c & 20/4a	Marten/Polecat		Parkmead	100.00	
P. 2154	14/25a	Perth		Parkmead	60.05	Faroe 39.95%
P. 1944	14/20e		Fynn/Penny	Parkmead	25.00	Faroe 25%, CalEnergy 25%, Verus Petroleum 25%
UK Southern North Sea						
P. 1242	48/1a, 47/5b	Platypus	Possum	Dana	15.00	Dana 59%, CalEnergy 15%, Zennor Petroleum 11%
P. 1566	47/4d, 47/5d	Pharos		Hansa Hydrocarbons	30.77	Hansa Hydrocarbons 46.15%, Dyas 23.08%
P. 1742	47/10c, 48/6c	47/10-8	Blackadder	Hansa Hydrocarbons	30.77	Hansa Hydrocarbons 23.08%, Dyas 46.15%
P.2209	42/19 & 42/20b		Farne Extension	Parkmead	50.00	Verus Petroleum 50%
UK West of Shetland						
P. 2069	205/12		Davaar	Parkmead	74.00	Dyas 26%
P. 2296	205/13		Sanda North/ Sanda South/ Davaar	Parkmead	74.00	Dyas 26%
UK West of Scotland						
P. 1966	132/3a, 8, 13a		Longships/ Godrevy/ Pendeen/Wolf	Parkmead	100.00	
Netherlands Onshore						
Andel Va		Brakel Ottoland Wijk en Aalburg		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Andel Vb				Vermilion Energy	7.50	Vermilion Energy 22.5%, EBN 40%, NAM 30%
Drenthe IV		Grolloo		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Drenthe V		Geesbrug		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%
Drenthe VI		Diever West		Vermilion Energy	7.50	Vermilion Energy 52.5%, EBN 40%
Papekop		Papekop		Vermilion Energy	15.00	Vermilion Energy 45%, EBN 40%

THE BOARD

Thomas Cross

Executive Chairman

Tom founded The Parkmead Group as an upstream oil and gas business in 2010, by restructuring the company from its previous technology focus. He is a Chartered Director and Petroleum Engineer with extensive energy sector experience, spanning projects in more than 20 countries. Tom was the founder and Chief Executive of Dana Petroleum plc through until its sale to the Korea National Oil Corporation in 2010. Prior to Dana, he held senior positions with Conoco, Thomson North Sea, Louisiana Land and Exploration and was Director of Engineering at the UK Petroleum Science and Technology Institute. Tom is a former Chairman of BRINDEX, the Association of British Independent Oil Companies, a former adviser to the BBC on energy affairs and a Fellow of the Institute of Directors.

Ryan Stroulger

Finance Director

Ryan has been a key member of The Parkmead Group management team since its foundation as an energy business in 2010. He served as Commercial Director of the Group before becoming Finance Director. He has been responsible for identifying and driving forward numerous asset and corporate opportunities, such as the acquisitions of DEO Petroleum plc and Lochard Energy Group PLC. Prior to this, he served as Group Finance Manager, responsible for all aspects of Parkmead's external financing, from strategic planning through to successful execution. Ryan previously worked as a financial analyst on oil and gas projects in the UK, Dutch and Norwegian sectors of the North Sea, in addition to numerous ventures across onshore and offshore Africa.

Dr Colin Percival

Technical Director

Colin has more than 30 years of experience in the oil & gas industry. He began his career as a sedimentologist with BP in international operations and went on to lead a series of BP exploration teams evaluating various plays across the UKCS, which resulted in a number of significant discoveries. Colin was a member of the Dana Petroleum plc management team from 2003 to 2011, with responsibility for the technical work on all Dana operated assets and new ventures. He joined Parkmead in 2011, where he leads the Company's experienced exploration and technical group. Colin played a key role in Parkmead's success in the UKCS 27th and 28th Licensing Rounds.

Philip Dayer

Non-Executive Director

Philip has over 30 years of corporate finance, public company and stock market experience. He has worked with a number of prominent City institutions and advised a wide range of public companies including UK and international groups active in the oil and gas sector. Philip qualified as a Chartered Accountant and went on to gain extensive experience as Director or Head of Corporate Finance with Barclays de Zoete, Citigroup Scrimgeour Vickers, ANZ Grindlays and Société Générale. Latterly, whilst focusing on the energy sector, Philip was Director of Corporate Finance at Old Mutual Securities and Executive Director at Hoare Govett Limited. Philip was a non-executive director of Dana Petroleum plc from 2006 through to its successful sale.

Ian Rawlinson

Non-Executive Director

Ian has over 30 years of experience in banking and investment, in public and private companies, including working with Lazard Brothers, Robert Fleming, Fleming Family & Partners and Dana Petroleum plc. Ian read law at Cambridge and was called to the Bar in 1981. He was a member of the senior management team of Flemings in Southern Africa, and was Chief Operating Officer of Fleming Family and Partners on its establishment, holding various senior positions in that group. Since 2005 he has held a wide range of senior independent roles in the commercial and charitable sectors. Ian is a Practising Fellow of the Centre for Social Innovation at the Cambridge Judge Business School and was a non-executive director of Dana Petroleum plc from 2005 through to its successful sale.

STRATEGIC REPORT

Business review and future activities

The Parkmead Group plc is an independent oil and gas, exploration and production company listed on the London Stock Exchange (AIM: PMG). The Group currently produces from four gas fields in the Netherlands and holds interests in a total of 36 exploration and production blocks. Parkmead has significant oil and gas development opportunities across the UK and Netherlands, including the Greater Perth Area oil development located in the Central North Sea. The Group also holds interests in a portfolio of exploration prospects alongside leading international partners. Parkmead is headquartered in Aberdeen, Scotland.

The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 30 June 2016, the position of the Group at the end of the year and any risks facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chairman's Statement and the Strategic Report.

Principal risks and mitigation

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

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

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

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

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

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

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

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

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

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

The Group is exposed to equity price risk in respect of its available-for-sale investments in oil and gas securities. Due to the nature of oil and gas exploration the share price of these companies is volatile and price movements over a short period are not uncommon. Therefore, the Group closely monitors the performance of Faroe Petroleum plc, in which it owns a 1.1% shareholding.

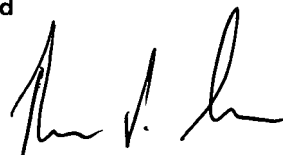
On 23 June 2016, a referendum in the United Kingdom returned a result in favour of leaving the European Union. Whilst the longer term political and economic effects of these events are as yet unclear and Article 50 of the Lisbon Treaty has not yet been activated, the announcement of the referendum resulted in a decline in the value of Sterling. At this stage these events are not expected to impact significantly on the Group's existing operations and investments. However, the Board will continue to actively monitor and manage the risks relating to this economic uncertainty.

Key Performance Indicators ("KPI")

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

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

Thomas Cross
Director
17 November 2016



DIRECTORS' REPORT

The Directors present their annual report and financial statements of the Company and of the Group for the year ended 30 June 2016.

General information

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

Results and dividends

The Group loss for the financial year after taxation amounted to £6.7 million (2015: £31.4 million loss). The Directors do not recommend the payment of a final dividend (2015: Nil).

Future developments

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

Directors and their interests

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

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

Biographical details of all the current Directors, as at the date of signing these financial statements, can be found on page 9. Details of all Directors' emoluments can be found in Note 8 to the financial statements.

Directors' indemnity

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

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

Investments

Investments are stated at fair value. Details of changes in the Group's investment holdings are set out in Note 16 to these financial statements.

Financial risk management policies

Further details of the Group's financial risk management policies are set out in Note 23 to the financial statements.

Share capital

At 30 June 2016 the total issued ordinary share capital was 98,929,160 shares of 1.5 pence each.

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

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

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

Significant shareholdings

The Company has been advised of the following significant shareholdings as at 31 October 2016:

	No. of ordinary shares held	% of Ordinary Shares
T P Cross & Affiliates	18,850,779	19.05%
Fidelity Investments	7,640,794	7.72%
Polar Capital	4,698,454	4.75%
Henderson Volantis	4,547,614	4.60%
Hargreave Hale	4,132,231	4.18%
BlackRock	3,113,908	3.15%
Legal & General	3,078,208	3.11%

Corporate governance

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

This statement explains how the Directors applied the adopted policies and procedures during the year ended 30 June 2016.

The Board

Board effectiveness

The Board, which is set up to control the Company and Group, meets formally at least four times a year and in the year under review met on six occasions.

As at the year end the Board was composed of five Directors – three Executive and two Non-Executive Directors. The Non-Executive Directors, P J Dayer and D I Rawlinson are considered by the Board to be independent, notwithstanding the fact that they have shares in the Company.

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

- management accounts setting out actual costs and revenues against budgeted costs and revenues
- cash collections and forecasts
- a statement of income compared with budget
- a statement of financial position including net assets per share

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

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

Board appointments

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

Re-appointment of Directors

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

Committees and auditors

Committees

The Directors have delegated certain responsibilities to various committees, which operate within specific terms of reference and authority limits. The Audit Committee meets at least twice a year and consists of P J Dayer, the Committee Chairman, D I Rawlinson and T P Cross. R A Stroulger attends by invitation. In the year ended 30 June 2016 the Audit Committee met on two occasions, with all members present.

The duties of the Audit Committee include:

- review of the scope and the results of the audit
- assessment of the cost effectiveness of the audit
- monitoring the independence and objectivity of the Auditors
- review and assessment of current updates of changes in accounting standards and their likely impact on the Group's accounts
- review and assessment of the internal controls of the Company
- assessment of the competencies of the financial human resources available to the Company

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

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

The Remuneration Committee meets at least once a year and consists of D I Rawlinson, the Committee Chairman, P J Dayer and T P Cross. In the year ended 30 June 2016 the Remuneration Committee met once, with all members present.

The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors. The Executive Directors meet regularly on an informal basis and deal with decisions that do not require full Board approval. The Directors believe that this process for making business decisions provides sufficient division of responsibility to meet the requirements of the policies and procedures adopted.

DIRECTORS' REPORT

CONTINUED

Shareholder relations

The Company communicates regularly with current and potential shareholders through the Annual Report and financial statements, the Interim Statement and any trading updates. Directors are available at the Annual General Meeting where shareholders can ask questions or present their views. In accordance with the AIM rules, specifically Rule 26, the Company has disclosed fully all relevant information so as to ensure that it is fully compliant.

The Company maintains a website (www.parkmeadgroup.com) where the Annual Report and financial statements can be accessed. The following information may also be found on the website:

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

All queries raised by shareholders are dealt with by an appropriate senior member of the management team, depending on the nature of the enquiry.

Accountability and audit

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

Remuneration policy

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

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

Non-Executive Directors

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

Internal control

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

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

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

Health, safety, the environment and the community

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

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

Going concern

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

Statement of Directors' responsibilities

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

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

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

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

The Directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditors

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

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

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

DIRECTORS' REPORT

CONTINUED

Auditors

Nexia Smith & Williamson have indicated their willingness to continue in office. A resolution concerning their re appointment will be proposed at the forthcoming Annual General Meeting. 2016 will be the final year of service of the current senior statutory auditor and a suitable new senior statutory auditor from Nexia Smith & Williamson will be introduced in his place for the year ended 30 June 2017.

Annual general meeting

Your attention is drawn to the Notice of the Annual General Meeting to be held on 21 December 2016. Under ordinary business shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2016
- to re-appoint Directors who, in accordance with the articles of association of the Company have retired by rotation
- approving the re-appointment of Nexia Smith & Williamson as auditors to the Company
- to grant Directors the authority to make market purchases and allot shares on a non pre-emptive basis

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



Ryan Stroulger
Finance Director
17 November 2016

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

We have audited the Group and Parent Company financial statements (the "financial statements") of The Parkmead Group plc for the year ended 30 June 2016 which comprise the Group Statement of Profit or Loss, the Group and Parent Company Statements of Profit or Loss and other Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cashflows and the related Notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purposes.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement on Directors' Responsibilities set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Nexia Smith & Williamson

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

25 Moorgate
London
EC2R 6AY
17 November 2016

GROUP STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £'000	2015 £'000
Continuing operations			
Revenue	3	10,441	18,639
Cost of sales		(15,061)	(39,418)
Impairment of property, plant and equipment		-	(12,905)
Gross loss		(4,620)	(33,684)
Exploration and evaluation expenses		(669)	(266)
Administrative expenses		(527)	1,237
Operating loss	4	(5,816)	(32,713)
Finance income	9	164	4,074
Finance costs	10	(766)	(2,193)
Loss before taxation		(6,418)	(30,832)
Taxation	11	(274)	(529)
Loss for the year attributable to the equity holders of the Parent		(6,692)	(31,361)
Loss per share (pence)			
Continuing operations			
Basic		(6.76)	(35.22)
Diluted		(6.76)	(35.22)

GROUP AND COMPANY STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

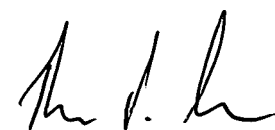
Notes	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Profit/(loss) for the year	(6,692)	(31,361)	523	(14,451)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Fair value loss on available-for-sale financial assets	(671)	(1,506)	(671)	(1,506)
	(671)	(1,506)	(671)	(1,506)
Income tax relating to components of other comprehensive income	-	-	-	-
Other comprehensive loss for the year, net of tax	(671)	(1,506)	(671)	(1,506)
Total comprehensive loss for the year attributable to the equity holders of the Parent	(7,363)	(32,867)	(148)	(15,957)

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Non-current assets					
Property, plant and equipment: development & production	13	17,986	18,717	-	-
Property, plant and equipment: other	13	75	139	75	135
Goodwill	14	2,174	2,174	-	-
Other intangible assets	14	-	-	-	-
Exploration and evaluation assets	14	34,642	33,630	-	-
Investment in subsidiaries and joint ventures	15	-	-	25,025	16,640
Available-for-sale financial assets	16	2,644	3,315	2,644	3,315
Deferred tax assets	11	3	242	-	-
Total non-current assets		57,524	58,217	27,744	20,090
Current assets					
Trade and other receivables	17	1,475	5,978	45,367	45,024
Current tax asset		195	243	-	-
Cash and cash equivalents	18	28,288	41,121	15,492	26,069
Total current assets		29,958	47,342	60,859	71,093
Total assets		87,482	105,559	88,603	91,183
Current liabilities					
Trade and other payables	19	(2,528)	(14,634)	(2,581)	(4,821)
Interest-bearing loans and borrowings	20	-	(412)	-	-
Current tax liabilities		-	-	-	-
Total current liabilities		(2,528)	(15,046)	(2,581)	(4,821)
Non-current liabilities					
Other liabilities	19	(27)	(278)	(26)	(276)
Deferred tax liabilities	11	(1,284)	(1,284)	-	-
Decommissioning provisions	21	(10,479)	(8,482)	-	-
Total non-current liabilities		(11,790)	(10,044)	(26)	(276)
Total liabilities		(14,318)	(25,090)	(2,607)	(5,097)
Net assets		73,164	80,469	85,996	86,086
Equity attributable to equity holders					
Called up share capital	24	19,533	19,533	19,533	19,533
Share premium		87,805	87,805	87,805	87,805
Merger reserve		27,187	27,187	27,187	27,187
Revaluation reserve		(3,381)	(2,710)	(3,381)	(2,710)
Retained deficit		(57,980)	(51,346)	(45,148)	(45,729)
Total Equity		73,164	80,469	85,996	86,086

The financial statements on pages 17 to 61 were approved by the Board of Directors on 17 November 2016 and signed on its behalf by:



Thomas Cross
Director



Ryan Stroulger
Director

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2014	19,365	74,967	27,187	(1,204)	(20,599)	99,716
Loss for the year	-	-	-	-	(31,361)	(31,361)
Fair value loss on available-for-sale financial assets	-	-	-	(1,506)	-	(1,506)
Total comprehensive loss for the year	-	-	-	(1,506)	(31,361)	(32,867)
Issue of new ordinary shares	168	12,838	-	-	-	13,006
Gains arising on repayment of employee share based loans	-	-	-	-	271	271
Share-based payments	-	-	-	-	343	343
At 30 June 2015	19,533	87,805	27,187	(2,710)	(51,346)	80,469
Loss for the year	-	-	-	-	(6,692)	(6,692)
Fair value loss on available- for-sale financial assets	-	-	-	(671)	-	(671)
Total comprehensive loss for the year	-	-	-	(671)	(6,692)	(7,363)
Share-based payments	-	-	-	-	58	58
At 30 June 2016	19,533	87,805	27,187	(3,381)	(57,980)	73,164

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2014	19,365	74,967	27,187	(1,204)	(31,892)	88,423
Loss for the year					(14,451)	(14,451)
Fair value loss on available-for-sale financial assets	-	-	-	(1,506)	-	(1,506)
Total comprehensive loss for the year	-	-	-	(1,506)	(14,451)	(15,957)
Issue of new ordinary shares	168	12,838	-	-	-	13,006
Gains arising on repayment of employee share based loans	-	-	-	-	271	271
Share-based payments	-	-	-	-	343	343
At 30 June 2015	19,533	87,805	27,187	(2,710)	(45,729)	86,086
Profit for the year	-	-	-	-	523	523
Fair value loss on available-for-sale financial assets	-	-	-	(671)	-	(671)
Total comprehensive income/(loss) for the year	-	-	-	(671)	523	(148)
Share-based payments	-	-	-	-	58	58
At 30 June 2016	19,533	87,805	27,187	(3,381)	(45,148)	85,996

GROUP AND COMPANY STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cashflows from operating activities					
Continuing activities	27	(10,581)	(1,762)	(10,739)	(26,859)
Taxation credit/(paid)		45	(469)	-	-
Net cash (used in)/generated operating activities		(10,536)	(2,231)	(10,739)	(26,859)
Cash flow from investing activities					
Interest received		132	152	102	146
Acquisition of exploration and evaluation assets		(1,490)	(3,485)	-	-
Proceeds from available-for-sale financial assets		32	-	32	-
Acquisition of property, plant and equipment: development and production		(621)	(9,026)	-	-
Acquisition of property, plant and equipment: other		(21)	(55)	(21)	(55)
Repayment of employee share based loans		-	271	-	271
Net cash (used in)/generated by investing activities		(1,968)	(12,143)	113	362
Cash flow from financing activities					
Issue of ordinary shares		-	13,007	-	13,007
Interest paid		(29)	(1,219)	-	-
Repayments of loans and borrowings		(438)	(2,389)	-	(2,000)
Net cash (used in)/generated by financing activities		(467)	9,399	-	11,007
Net decrease in cash and cash equivalents		(12,971)	(4,975)	(10,626)	(15,490)
Cash and cash equivalents at beginning of year		41,121	46,346	26,069	41,589
Effect of foreign exchange rate differences		138	(250)	49	(30)
Cash and cash equivalents at end of year		28,288	41,121	15,492	26,069

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

The consolidated financial statements of the Group for the year ended 30 June 2016 were authorised for issue by the Board of Directors on 17 November 2016 and the Statement of Financial Position was signed on the Board's behalf by T P Cross and R A Stroulger. The Group is a public limited company incorporated in England & Wales. The Company's shares are publicly traded on the AIM Market of the London Stock Exchange. The registered office is located at 6 St Andrew Street, London, EC4A 3AE.

2 Accounting policies

Basis of preparation of the financial statements

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

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016.

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

Subsidiaries

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

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

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

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

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

Joint arrangements

Under IFRS11, joint arrangements are those that convey joint control which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

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

A complete list of the Group's Joint Arrangements accounted for as joint operations is provided in Note 30.

2 Accounting policies *continued*

Revenue recognition

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

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

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

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

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

Oil and gas expenditure – exploration and evaluation assets

Capitalisation

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

E&E costs are not amortised prior to the conclusion of appraisal activities. Once active exploration is completed the asset is assessed for impairment. If commercial reserves are discovered then the carrying

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

Impairment

The Group's oil and gas assets are analysed into cash generating units ("CGU") for impairment review purposes, with E&E asset impairment testing being performed at a grouped CGU level. The current CGU consists of the Group's whole E&E portfolio. E&E assets are reviewed for impairment in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", and when circumstances arise which indicate that the carrying value of an E&E asset exceeds the recoverable amount. When reviewing E&E assets for impairment, the combined carrying value of the grouped CGU is compared with the grouped CGU's recoverable amount. The recoverable amount of a grouped CGU is determined as the higher of its fair value less costs to sell and value in use. Impairment losses resulting from an impairment review are written off to the statement of profit or loss.

Oil and gas expenditure – production and development assets

Capitalisation

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

Depreciation

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

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

- recoverable reserves; and
- future capital expenditure

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2 Accounting policies *continued*

Impairment

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

The future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a post-tax discount rate. The discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located, although other rates may be used if appropriate to the specific circumstances. In 2016 the rate used was 8% nominal (2015: 8% nominal). The discount rates applied in assessments of impairment are reassessed each year.

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

Key assumptions used in the value-in-use calculations

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

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

Production volumes/recoverable reserves

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

Commodity prices

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

Fixed and variable operating costs

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

Capital expenditure

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

Discount rates

Discount rates reflect the current market assessment of the risks specific to the oil and gas sector and are based on the weighted average cost of capital for the Group. Where appropriate, the rates are adjusted to reflect the market assessment of any risk specific to the field for which future estimated cash flows have not been adjusted. The Group has applied a discount rate of 8% for the current year (2015: 8%).

Sensitivity to changes in assumptions

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

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

Oil & gas expenditure – acquisitions and disposals

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

2 Accounting policies *continued*

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

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

Decommissioning

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

The key areas of estimation regarding decommissioning are:

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

See Note 21 in respect of decommissioning obligations.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Segment reporting

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

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

When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of cash and cash equivalents, available-for-sale financial assets and current and deferred tax assets and liabilities.

Foreign currency

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing in the month of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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2 Accounting policies *continued*

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the revaluation reserve in equity.

Taxation

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

The tax currently payable is based on the taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

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

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

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

Pensions

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

Share based payments

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

Equity-settled transactions

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

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

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

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

Cash-settled transactions

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

The fair value of the share options granted has been calculated using the Black-Scholes-Merton model. The key inputs into the model include share volatility, expected dividend yield, and risk free rate (Note 25).

Employee Benefit Trust

The Company has provided loan finance to an Employee Benefit Trust such that beneficiaries can purchase shares in the Group. Assets and liabilities of the Employee Benefit Trust are included in the Group statement of financial position, except as disclosed in Note 22. The costs of running the Trust are charged to the statement of profit or loss.

2 Accounting policies *continued*

Property, plant and equipment

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

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

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

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

Investments in subsidiaries

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

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

Intangible assets

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

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

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

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

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

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

Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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2 Accounting policies *continued*

Impairment of non-financial assets

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

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

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

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

Goodwill

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

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

Intangible assets

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

Financial assets

Classification of financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

2 Accounting policies *continued*

Measurement of financial assets

Initial recognition

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

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

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

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

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

Subsequent measurement

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

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

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

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

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

Derecognition

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

Impairment of financial assets

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Any cash balance held where the use is restricted for a specific purpose or future event will be separately noted as "restricted cash" and details provided to explain the restriction.

Trade receivables

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

Trade payables

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

NOTES TO THE FINANCIAL STATEMENTS

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2 Accounting policies *continued*

Leases

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

Finance costs and debt

Interest-bearing loans and borrowings

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

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

Share capital

Ordinary shares are classified as equity.

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

Provisions

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

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

Significant accounting judgments, estimates and assumptions

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

- Oil and Gas: Intangible Exploration Assets - Impairment
- Oil and Gas: Development and Production Assets - Depreciation and Impairment
- Oil and Gas: Decommissioning Provisions
- Employee Benefits: Share Based Payments
- Impairment of Goodwill

Impact of new standards and interpretations

There were no new and effective standards on 1 July 2015.

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

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

- IFRS 11 (revised) Acquisition of an Interest in a Joint Operation effective 1 January 2016
- IAS 27 (revised) Separate Financial Statements effective 1 January 2016
- IAS 1 (revised) Presentation of Financial Statements effective 1 January 2016
- IFRS 15 Revenue from Contracts with Customers effective 1 January 2018
- IFRS 9 Financial Instruments effective 1 January 2018
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 effective from 1 January 2016
- IFRS 16 Leases effective from 1 January 2019
- Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses effective from 1 January 2017
- Annual improvements to IFRSs 2012-2014 cycle effective from 1 January 2016
- Amendment to IAS 7 Disclosure Initiative effective from 1 January 2017
- IFRS 7 Financial Instruments: Disclosures effective from 1 January 2016
- Amendment to IFRS2 classifications and measurement of share based payments effective from 1 January 2018

3 Revenue

	2016 £'000	2015 £'000
An analysis of the Group's revenue is as follows:		
Oil sales	5,821	17,364
Gas sales	3,463	257
Condensate sales	6	51
Rendering of services	1,151	967
Total revenue	10,441	18,639

4 Operating loss

	2016 £'000	2015 £'000
The operating loss is stated after charging/(crediting):		
Pre-award exploration expenditure	153	1
Exploration expenditure written off	478	265
Depreciation of property, plant and equipment	2,724	6,422
Impairment of property, plant and equipment (Note 13)	-	12,905
Share based payment (credit) (Note 25)	(1,359)	(3,695)
Operating lease rentals: other	303	233
Foreign exchange (gain)/loss	(118)	(281)

5 Auditors' remuneration

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

	2016 £'000	2015 £'000
Audit fees payable to the auditor for the audit of the Company's annual financial statements	45	54
Audit of the Company's subsidiaries	33	27
Total audit fees	78	81
Tax services	15	39
Other services	17	10
Total non-audit fees	32	49
Total audit and non-audit fees	110	130

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

NOTES TO THE FINANCIAL STATEMENTS

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6 Operating segment information

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

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

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

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

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

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

6 Operating segment information *continued*

Year ended 30 June 2015	Oil and Gas Exploration and Production £'000	Energy Economics £'000	Adjustments and eliminations £'000	Consolidated £'000
	£'000		£'000	£'000
Revenue				
External customer	17,672	967	-	18,639
Inter-segment	-	-	-	-
Total revenue	17,672	967	-	18,639
Results				
Operating loss	(32,568)	(145)	-	(32,713)
Finance income	4,067	7	-	4,074
Finance costs	(2,193)	-	-	(2,193)
Segment loss	(30,694)	(138)	-	(30,832)
Operating assets	101,375	4,535	(351)	105,559
Operating liabilities	(25,213)	(228)	351	(25,090)
Other disclosures				
Capital expenditure	12,566	-	-	12,566
Depreciation and amortisation	6,413	-	-	6,422

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

Included in revenues arising from the sale of oil and gas exploration and production are revenues of £5,821,000 (2015: £17,364,000) which arose from the Group's largest customer.

Geographic information

Revenues from external customers

	2016 £'000	2015 £'000
Europe	9,628	18,079
North America	611	306
Rest of the World	202	254
Total revenue per Group statement of profit or loss	10,441	18,639

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

Non-current assets

	2016 £'000	2015 £'000	2014 £'000
Europe	54,879	54,660	63,481
North America	-	-	-
Rest of the World	-	-	-
Total	54,879	54,660	63,481

Non-current assets for this purpose consist of oil and gas properties, property, plant and equipment, exploration and evaluation assets, goodwill and other intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

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7 Staff costs

Employee benefits expense:

Group	2016 £'000	2015 £'000
Wages and salaries	1,652	1,877
Social security costs	251	232
Other pension costs	82	76
Staff costs (before share based payments)	1,985	2,185
(Credit) for share based payments (Note 25)	(1,359)	(3,695)
Total staff costs	626	(1,510)

Total staff costs include a credit in respect of a non-cash revaluation of share appreciation rights (SARs) and share based payments totalling £1,359,000 (2015: £3,695,000 credit). The SARs may be settled by cash or shares and are therefore revalued with the movement in share price. The valuation was impacted by the decline in share price between 30 June 2015 and 30 June 2016.

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

	2016 No.	2015 No.
Management and consultants	10	10
Technical support	3	3
Project, Admin & IT support	12	13
	25	26

8 Directors' emoluments

Directors remuneration in aggregate comprised:	2016 £'000	2015 £'000
Aggregate emoluments	800	859
Company pension contributions to money purchase schemes	8	6
	808	865

During the year one (2015: one) Director accrued benefits under a money purchase pension scheme. The Company contributions paid to the scheme were £8,000 (2015: £6,000).

No director exercised share appreciation rights in the period (2015: nil). No director exercised share options in the period (2015: nil).

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

	Salaries and Fees £'000	Benefits in Kind £'000	Pension £'000	Total 2016 £'000	Total 2015 £'000
T P Cross	386	45	78	509	568
R A Stroulger	80	-	8	88	67
C J Percival	170	1	-	171	190
P J Dayer	20	-	-	20	101
D I Rawlinson	20	-	-	20	101
Total	676	46	86	808	1,027

R A Stroulger undertook salary sacrifice in order to build his holding in Parkmead share options and so increased his alignment with shareholders and future company performance. T P Cross participated in the share appreciation rights (SARs) arrangements for senior management details of which are provided in Note 25. No SARs were exercised in the year.

8 Directors' emoluments *continued*

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

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

Details of outstanding share options held by directors as at 30 June 2015:

	Number of share options outstanding	Exercise price	Date from which exercisable	Expiry date
C Percival	173,333	£1.31	10 October 2013	10 October 2020
C Percival	71,333	£1.59	8 August 2014	9 August 2021
R Stroulger	10,000	£1.59	8 August 2014	9 August 2021
C Percival	75,133	£1.78	16 September 2015	17 September 2022
R Stroulger	66,267	£1.78	16 September 2015	17 September 2022
R Stroulger	233,333	£1.69	25 September 2016	25 September 2023

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

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

Details of outstanding SARs held by each director as at 30 June 2015:

	Number of SARs outstanding	Exercise price	Date from which exercisable	Expiry date
T P Cross	901,534	£1.59	8 February 2014	8 August 2021
T P Cross	901,534	£1.59	8 August 2014	8 August 2021
T P Cross	1,065,800	£1.78	16 March 2015	16 September 2022
T P Cross	1,065,800	£1.78	16 September 2015	16 September 2022
T P Cross	1,245,000	£1.69	24 March 2016	24 September 2023
T P Cross	1,245,000	£1.69	24 September 2016	24 September 2023

I Rawlinson and P Dayer participated in deferred share payments (DSPs) arrangements for Non Executive Directors, details of which are provided in Note 25. In 2015, I Rawlinson and P Dayer received the cash-settled equivalent of 37,629 shares following fulfilment of their three year service commitment. The Company reserves the right, at its sole discretion to settle the payment in cash (or equity) and the DSPs have been accounted for as cash-settled transactions.

NOTES TO THE FINANCIAL STATEMENTS

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9 Finance income

	2016 £'000	2015 £'000
Bank interest receivable	132	151
Finance gain on fair valuation of Gemini loan (Note 20)	-	3,923
Gain on available for sale financial assets	32	-
	164	4,074

10 Finance costs

	2016 £'000	2015 £'000
Unwinding of discount on decommissioning provision	733	974
Interest payable on loans and borrowings	33	1,219
	766	2,193

11 Taxation

a) Income Tax

The major components of income tax expense for the years ended 30 June 2016 and 2015 are:

	2016 £'000	2015 £'000
Current tax:		
Corporation tax	-	-
Adjustments in respect of current income tax of previous periods	-	-
Overseas current taxation	35	(155)
Total current income tax	35	(155)
Deferred tax:		
Origination and reversal of timing differences	239	684
Total deferred income tax charge	239	684
Income tax expense reported in the statement of profit or loss	274	529

Tax has been calculated using an estimated annual effective rate of 30% (2015: 30%) on profit before tax.

11 Taxation *continued*

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

b) Reconciliation of total income tax charge

	2016 £'000	2015 £'000
Loss before tax	(6,418)	(30,832)
Loss multiplied by the standard rate of corporation tax in the UK of 30% (2015: 30%)	(1,925)	(9,249)
Effects of:		
Capital allowances in excess of depreciation	(591)	(6,569)
Expenses not deductible for tax purposes	(106)	(2,981)
Income not taxable	-	(1,100)
Profits taxed outside ring-fence	(86)	2,942
Utilisation of tax losses and other deductions	(155)	(127)
UK field allowances	-	3,096
Ring-fenced tax losses not utilised	3,102	14,633
Overseas taxation	35	(155)
Double taxation relief	-	348
Change in Supplementary Tax Rate (SCT)	-	(309)
Total tax expense for the year	274	529

c) Deferred income taxation

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deferred tax asset				
At 1 July	242	1,235	-	-
Income statement charge	(239)	(993)	-	-
At 30 June	3	242	-	-
Deferred tax liability				
At 1 July	1,284	1,593	-	-
Tax income recognised in the statement of profit or loss	-	(309)	-	-
At 30 June	1,284	1,284	-	-

NOTES TO THE FINANCIAL STATEMENTS

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11 Taxation *continued*

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deferred tax asset				
Field allowances	-	-	-	-
Ring-fence tax losses	-	-	-	-
Tax losses	-	46	-	-
Accelerated capital allowances	3	4	-	-
Fair value gains	-	192	-	-
	3	242	-	-
Deferred tax liability				
Accelerated capital allowances	-	-	-	-
Fair value gains	(1,284)	(1,284)	-	-
	(1,284)	(1,284)	-	-
Deferred tax liability, net	(1,281)	(1,042)	-	-

d) Tax losses

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

A deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses, unclaimed capital allowances, capital losses and unrealised capital losses where there is insufficient evidence that the asset will be recovered. The amount of ring fenced trading losses available are £85.4 million (2015: £72m), excess management expenses available are £33.6 million (2015: £39.6m), unclaimed capital allowances available are £27.2 million (2015: £14.1m), capital losses available are £71.9 million (2015: £71.9m) and unrealised capital losses on available-for-sale financial assets of £3 million (2015: £3m).

12 Loss per share

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

	2016	2015
Loss per 1.5p ordinary share from continuing operations (pence)		
Basic	(6.76)p	(35.22)p
Diluted	(6.76)p	(35.22)p

The calculations were based on the following information:

	2016 £'000	2015 £'000
Loss attributable to ordinary shareholders		
Continuing operations	(6,692)	(31,361)
Total	(6,692)	(31,361)
Weighted average number of shares in issue		
Basic weighted average number of shares	98,929,160	89,048,512
Dilutive potential ordinary shares		
Share options	-	-

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

Profit/(loss) per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year.

12 Loss per share *continued*

Diluted loss per share

Loss per share requires presentation of diluted loss per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. When the group makes a loss the outstanding share options are therefore anti-dilutive and so are not included in dilutive potential ordinary shares.

13 Property, plant and equipment

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

Abandonment asset

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

Asset Impairment - Athena

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

Production at the Athena field was shut-in in January 2016. The Group has assumed a redevelopment of the remaining reserves in the field over a longer term period in order to achieve the recoverable value of £13,200,000 in respect of the Athena asset. The following key assumptions are applied over the expected life of the field:

	Discount Rate	Short term price assumption (3 Years)	Long-term price assumption (Oil)
Athena	8%	\$53-\$62	\$73/bbl

The key sensitivities in assessing the recoverable amount are the long-term oil price and future production assumed. If these assumptions are not met there would be a further impairment of the asset required. A change of +/- US\$20 in long-term oil price would impact the recoverable value by +/- c. £5 million. A change of +/- 20% in production would impact the recoverable value by +/- c. £4 million.

NOTES TO THE FINANCIAL STATEMENTS

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13 Property, plant and equipment *continued*

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

The comparable table for 2015 is detailed below:

Group	Development and production £'000	Short leasehold property £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost				
At 1 July 2014	39,097	2	473	39,572
On acquisition of subsidiary				
Additions	9,026	-	55	9,081
Abandonment asset	(1,796)	-	-	(1,796)
Transfer from exploration and evaluation assets	815	-	-	815
At 30 June 2015	47,142	2	528	47,672
Depreciation				
At 1 July 2014	9,195	-	294	9,489
Depreciation charged in the year	6,325	-	97	6,422
Impairment (Note 4)	12,905	-	-	12,905
At 30 June 2015	28,425	-	391	28,816
Net book amount				
At 30 June 2015	18,717	2	137	18,856
At 30 June 2014	29,902	2	179	30,083

13 Property, plant and equipment *continued*

Abandonment asset

The abandonment asset adjustment above reflects the decrease in cost estimate and deferred timing of abandonment expenditure.

Company	Short leasehold property £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 July 2014	2	373	375
Additions	-	55	55
At 30 June 2015	2	428	430
Depreciation			
At 1 July 2014	-	207	207
Depreciation charged in the year	-	88	88
At 30 June 2015	-	295	295
Net book amount			
At 30 June 2015	2	133	135
At 30 June 2014	2	166	168

NOTES TO THE FINANCIAL STATEMENTS

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14 Intangible assets

Year ended 30 June 2016	Exploration and Evaluation assets £'000	Other intangible assets £'000	Goodwill £'000	Total £'000
Cost				
At 1 July 2015	33,630	246	2,174	36,050
Additions	1,490	-	-	1,490
Exploration write-off	(478)	-	-	(478)
At 30 June 2016	34,642	246	2,174	37,062

Amortisation and impairment

At 1 July 2015	-	246	-	246
At 30 June 2016	-	246	-	246

Net book amount

At 30 June 2016	34,642	-	2,174	36,816
At 30 June 2015	33,630	-	2,174	35,804

Other intangibles include development costs and contract and customer relationships.

The comparable table for 2015 is detailed below:

	Exploration and Evaluation assets £'000	Other intangible assets £'000	Goodwill £'000	Total £'000
Cost				
At 1 July 2014	31,225	246	2,174	33,645
Additions	3,485	-	-	3,485
Exploration write-off	(265)	-	-	(265)
Transfer to development and production assets	(815)	-	-	(815)
At 30 June 2015	33,630	246	2,174	36,050

Amortisation and impairment

At 1 July 2014	-	246	-	246
At 30 June 2015	-	246	-	246

Net book amount

At 30 June 2015	33,630	-	2,174	35,804
At 30 June 2014	31,225	-	2,174	33,399

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination identified according to operating segments. The carrying amount of goodwill has been allocated as follows:

	2016 £'000	2015 £'000
Oil and Gas Exploration and Production	-	-
Energy Economics	2,174	2,174
	2,174	2,174

14 Intangible assets *continued*

On 3 November 2009, the Group acquired 100% of the issued share capital of Aupec Limited ("Aupec"), an unlisted company based in Scotland. Aupec is a respected global authority in energy sector economics, valuation and benchmarking and has been providing economic consultancy services to the oil and gas sector for over 20 years. Goodwill on the purchase of Aupec Limited is attributable to the value of the assembled professional team in place acquired with this business as well as the Company's relationships with a number of blue-chip energy companies.

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

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

The recoverable amount of the Energy Economics CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a three-year period, and a discount rate of 10%. Management estimated the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the market in which the Energy Economics CGU operates.

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

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

Based on these assumptions, at 30 June 2016 the recoverable amount of the goodwill relating to the Energy Economics CGU was in excess of its carrying amount by £238,000. If revenues fell from the assumed level by 3% after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of goodwill would be equal to the carrying value.

None of the goodwill is expected to be tax deductible.

NOTES TO THE FINANCIAL STATEMENTS

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15 Investment in subsidiaries and joint ventures

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

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

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

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

In the 2015 comparative table below there was an impairment in the Lochard subsidiary resulting from a reduced estimate of the near-term cash flows from the Athena field.

The comparable table for 2015 is detailed below:

Company	Subsidiary and joint venture undertakings £'000
Cost or valuation	
At 1 July 2014	31,310
Additions	-
At 30 June 2015	31,310
Amortisation and impairment	
At 1 July 2014	3,293
Impairment of subsidiary	11,377
At 30 June 2015	14,670
Net book amount	
At 30 June 2015	16,640
At 30 June 2014	28,017

15 Investment in subsidiaries and joint ventures *continued*

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

Name of Undertaking	Class of Holding	Interest in subsidiary/ joint venture	Nature of Business
Registered in Scotland:			
Aupec Limited	Ordinary	100%	Energy advisory and consulting services
Parkmead (E&P) Limited	Ordinary	100%	Oil & Gas Exploration and Production
Registered in England:			
DEO Petroleum Limited	Ordinary	100%	Dormant
DEO Petroleum UK Limited	Ordinary	100%	Dormant
DEO Petroleum Exploration Limited	Ordinary	100%	Dormant
Lochard Energy Group Limited	Ordinary	100%	Dormant
Lochard Energy Limited	Ordinary	100%	Dormant
Zeus Petroleum Limited	Ordinary	100%	Dormant
Registered in Malta:			
British Borneo Expro Limited	Ordinary	49.9%	Dormant
Registered in Guernsey:			
Parkmead Special Situations Energy L.P.	Ordinary	100%	Dormant
Registered in Nigeria:			
VRMT Well Services Limited	Ordinary	51%	Dormant

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

The Group is in the process of streamlining the number of subsidiaries required within the Group. As a consequence, a number of dormant subsidiaries will be wound-up within the next financial year.

The share of assets, liabilities, revenues and profit of the joint ventures, British Borneo Expro Limited, and VRMT Well Services Limited are not included in the consolidated financial statements on the basis the companies are dormant and hold no material balances.

NOTES TO THE FINANCIAL STATEMENTS

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16 Available-for-sale financial assets

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fair value				
At 1 July	3,315	4,821	3,315	4,821
Loss on revaluation	(671)	(1,506)	(671)	(1,506)
At 30 June	2,644	3,315	2,644	3,315

Available-for-sale financial assets comprise the following:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Quoted Equity shares				
Equity shares - UK	2,644	3,315	2,644	3,315
Unquoted equity shares				
Equity shares - UK	-	-	-	-
	2,644	3,315	2,644	3,315

Available-for-sale investment - quoted equity shares

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

Available-for-sale investment - unquoted equity shares

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

Impairment on available-for-sale financial investments

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

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

	2016 £'000	2015 £'000
Pound Sterling	2,644	3,315
	2,644	3,315

17 Trade and other receivables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current assets				
Trade receivables	212	1,515	-	-
Less: provision for impairment of trade receivables	(42)	-	-	-
Trade receivables - net	170	1,515	-	-
Receivables due from group companies	-	-	45,129	44,812
Other receivables	882	762	127	65
Prepayments and accrued income	423	3,701	111	147
	1,475	5,978	45,367	45,024

Current assets

Trade receivables

Trade receivables are non-interest bearing and generally have a 30 – 60 day term. Due to their short maturities, the fair value of trade receivables approximates their carrying amount.

Of the trade receivables balance at the end of the year £41,000 (2015: £859,000) was due from the Group's largest customer. There are five (2015: two) other customers who represent more than 5% of the total balance of trade receivables.

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

Trade receivables that are less than three months past due are not considered impaired. As of 30 June 2016, trade receivables of £nil (2015: £nil) were three months past due but not impaired.

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

	2016 £'000	2015 £'000
At 1 July	-	-
Amounts written off in the year	-	-
Provision for receivables impairment	42	-
At 30 June	42	-

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Pound Sterling	774	1,303	45,367	45,024
Other currencies	701	4,675	-	-
	1,475	5,978	45,367	45,024

Receivables due from group companies

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18 Cash and cash equivalents

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Unrestricted cash in bank accounts	20,107	33,701	15,492	26,069
Restricted cash	8,181	7,420	-	-
	28,288	41,121	15,492	26,069

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

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

19 Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current liabilities				
Trade payables	586	5,163	110	304
Amounts owed to group companies	-	-	1,226	1,293
Other taxes and social security costs	71	701	60	687
Accruals and deferred income	1,871	8,770	1,185	2,537
	2,528	14,634	2,581	4,821

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Non-current liabilities				
Accruals and deferred income	27	278	26	276
	27	278	26	276

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2015: 28 days). No interest is charged on the outstanding balance.

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

20 Interest-bearing loans and borrowings

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current liabilities				
Unsecured non-bank project funding	-	412	-	-
	-	412	-	-

20 Interest-bearing loans and borrowings *continued*

Unsecured non-bank project funding - "Gemini"

Prior to the Parkmead Group's acquisition of Lochard Energy Group Limited ("Lochard"), the Gemini Oil & Gas Fund II, LP provided a subsidiary, Zeus Petroleum Limited ("Zeus"), with US\$14 million of funding for operations relating to the development of the Athena oil field. Loan interest and repayments are to be paid out of the Company's future share of the Athena gross oil revenues. The Zeus subsidiary held a 10% interest in North Sea Block 14/18b which contains the Athena oil discovery. This liability solely relates to the 10% interest held through Zeus, with the Group's further 20% interest having no such financial liability.

21 Decommissioning provisions

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

The decommissioning provision of £10,479,000 (2015: £8,482,000) relates to the Group's production and development facilities. The decommissioning provision is recorded at the Group's share of the decommissioning cost expected to be incurred.

These costs are expected to be incurred at various intervals over the next 16 years. The provision has been estimated using existing technology at current prices, escalated at 2.5% and discounted at 8%. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the production and development facilities.

The comparable table for 2015 is detailed below:

	Development and production costs £'000	Total £'000
As at 1 July 2014	9,305	9,305
New provisions and changes in estimates	(1,796)	(1,796)
Unwinding of discount	973	973
As at 30 June 2015	8,482	8,482

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22 Contingent assets and liabilities

Contingent assets

Shares were allotted to N P Doran, a former Director of the Company, during 2006 which were funded by a loan of £2,679,000 from the Employee Benefit Trust. £549,000 was repaid in the year to 30 June 2014, leaving a loan outstanding of £2,130,000. The loan was accounted as a share based payment and is not recognised in the Statement of Financial Position. The loan is secured over the shares and the individual is protected from downside risk should the shares be sold for a value of £10,000 less than the value of the loan. The loan term expired on 22 May 2016.

Contingent liabilities

The obligation to pay income tax on the above Employee Benefit Trust arrangement lies with the individual and the Company would only be liable for the Employer's National Insurance on the amount of the loan written off. If the shares were sold at a value below the value of the loan the Company would be providing a benefit in kind to the individual to the value of the shortfall in the loan. The maximum liability is £281,000 (2015: £281,000) if the shares were sold for nil, although the timing or actual amount of any shortfall is unknown. At 30 June 2016, based on the Company's share price of £0.47 (2015: £1.15) a liability of £169,000 would arise to the Company.

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

23 Financial instruments and financial risk factors

Financial risk management

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

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

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

Market price risk

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

Listed investments

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

Effect on equity

Increase or decrease of 5% in equity prices
 Increase or decrease of 25% in equity prices
 Increase or decrease of 50% in equity prices

	2016 £'000	2015 £'000
	132	166
	661	829
	1,322	1,657

23 Financial instruments and financial risk factors *continued*

Interest rate risk

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

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

	2016 £'000	2015 £'000
Floating rate financial assets < 1 year	28,288	41,121
Total	28,288	41,121

At 30 June 2016, short-term deposits were earning interest at a weighted average fixed deposit rate of 0.5% (2015: 0.5%). Cash at bank earns interest at floating rates based on the GBP Base Rate. Interest earned at floating rates represents an insignificant risk of change in rates.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control. Outstanding customer receivables are regularly monitored. At 30 June 2016, the Group had no customers that owed the Group more than £50,000.

The requirement for impairment is analysed at each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date amounted to £212,000 (2015: £1,515,000). The Group does not hold collateral as security.

Liquidity risk

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

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables and other liabilities				
6 months or less	2,528	14,634	2,581	4,821
6-12 months	-	-	-	-
More than 1 year	27	278	26	276
	2,555	14,912	2,607	5,097
Interest-bearing loans and borrowings				
6 months or less	-	412	-	-
6-12 months	-	-	-	-
More than 1 year	-	-	-	-
	-	412	-	-

NOTES TO THE FINANCIAL STATEMENTS

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23 Financial instruments and financial risk factors *continued*

Capital risk

The Group and Company considers its capital under management to be its free cash and cash equivalents. The Group and Company's overall objective from its investing and trading activities is to increase its net assets per share. In assessing opportunities to invest in the energy sector the Group and Company undertakes financial modelling and technical assessments on proposed investments.

The Group and Company's capital management objectives have not changed in the period under review. As a result of the loss in the year the Group's net asset per share decreased to 0.7 pence in 2016 (2015: 0.9 pence).

Currency risk

The Group and Company are exposed to foreign currency risk on trade receivables. The currencies giving rise to the risk are United States Dollars and Euros. There are no currency hedging arrangements in place. The value of the Group's financial assets denominated in foreign currencies at 30 June 2016 was £2,822,000 (2015: £4,918,000); Company £3,000 (2015: £nil). A 25% change in Sterling exchange rate will result in a profit or loss pre-tax recognised in the statement of profit or loss of £706,000 (2015: £1,229,000) in the Group; Company £1,000 (2015: £nil).

The Group is exposed to foreign currency risk on its financial liabilities. The currencies giving rise to the risk are United States Dollars. The value of the Group's financial liabilities denominated in foreign currencies at 30 June 2016 was £19,000 (2015: £10,837,000). A 25% change in Sterling exchange rate will result in an increase or decrease of £5,000 (2015: £2,709,000) in the Group.

Fair values of financial assets and liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2016. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2016		2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables at amortised cost	1,475	1,475	5,978	5,978
Financial liabilities at amortised cost	(2,555)	(2,555)	(15,321)	(15,321)
Available-for-sale financial assets at fair value	2,644	2,644	3,315	3,315
	1,564	1,564	(6,028)	(6,028)

Loans and receivables at amortised cost

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

Financial liabilities at amortised cost

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

Available-for-sale financial assets at fair value

The balances are recorded at fair value and are determined by using published price quotations in an active market or using a valuation technique based on the price of recent investment methodology.

Fair value measurement

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

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

23 Financial instruments and financial risk factors *continued*

The following table presents the Group's financial assets that are measured at fair value at 30 June 2016:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Available-for-sale financial assets	2,644	-	-	2,644

The following table presents the Group's financial liabilities that are measured at fair value at 30 June 2016:

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

The following table presents the changes in Level 3 financial liabilities for the year ended 30 June 2016:

	£'000
As at 1 July 2015	412
Finance gain on fair valuation of financial liabilities	-
Foreign exchange movement	26
Net repayments in the year	(438)
As at 30 June 2016	-

24 Share capital and reserves

	Authorised	
	2016 No.	2015 No.
Ordinary shares of £0.015 each	296,750,185	296,750,185
Deferred shares of £0.049 each	368,341,780	368,341,780
	665,091,965	665,091,965
	£'000	£'000
Ordinary shares of £0.015 each	4,451	4,451
Deferred shares of £0.049 each	18,049	18,049
	22,500	22,500

	Allotted, Called Up and Paid Up	
	2016 No.	2015 No.
Ordinary shares of £0.015	98,929,160	98,929,160
Deferred shares of £0.049 each	368,341,780	368,341,780
	467,270,940	467,270,940
	£'000	£'000
Ordinary shares of £0.015	1,484	1,484
Deferred shares of £0.049 each	18,049	18,049
	19,533	19,533

Deferred shares have no voting rights and no rights to distributions and therefore have been excluded from the calculations of Earnings per Share.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

24 Share capital and reserves *continued*

Other reserves as stated in the Group statement of changes in equity

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

The merger reserve represents the premium on the issue of the consideration shares on the acquisition of DEO Petroleum plc in 2012 and Lochard Energy Group Limited in 2013. There was no movement in the merger reserve from 2015 to 2016. The merger reserve will be transferred to the retained earnings in 2017 when the two companies are wound up as part of the group reorganisation.

25 Share based payments

Share options - equity settled

Share options are granted from time to time at the discretion of the remuneration committee. All employees are eligible to receive share options. At 30 June 2016, 8 employees (2015: 10) held share options.

Share options have been awarded under three different schemes:

- Unapproved options
- Unapproved options with vesting conditions

Share appreciation rights - cash or equity settled

Certain key management and staff are awarded share appreciation rights (SARs), which may be settled in cash or shares at the Company's sole discretion. The fair value of the SARs is measured at each reporting date using the Black-Scholes-Merton model.

The carrying amount of the liability relating to the SARs at 30 June 2016 is £953,000 (2015: £1,621,000).

Deferred share payments - cash or equity settled

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

The carrying amount of the liability relating to the DSPs at 30 June 2016 is £24,000 (2015: £nil).

Expense/(credit) arising from share based payments

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

	2016 £'000	2015 £'000
Equity-settled share based payments	58	343
Cash-settled share based payments	(1,417)	(4,038)
	(1,359)	(3,695)

The SARs may be settled by cash or shares and are therefore revalued with the movement in share price. SARs issued to current employees were modified in the year as detailed in Note 8. The valuation was impacted by the decline in share price between 30 June 2015 and 30 June 2016 resulting in a credit in 2016.

977,628 share options issued to current employees were modified in the year with an exercise price of £0.41 vesting in three years. 200,000 share options lapsed in 2016 (2015: £23,467).

25 Share based payments *continued*

Movements in the year

The movement in share option awards during the year ended 30 June 2016 is as follows:

	2016		2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	1,377,628	£1.37	1,401,095	£1.35
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	(200,000)	£1.06	(23,467)	£0.81
Forfeited	-	-	-	-
Outstanding at 30 June	1,177,628	£0.36	1,377,628	£1.37
Exercisable at 30 June	200,000	£0.21	641,222	£0.94

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

Expiry date	Exercise price	2016	2015
12 December 2015	£0.75	-	133,333
1 January 2020	£0.19	133,333	133,333
11 October 2020	£0.23	66,667	66,667
19 November 2020	£1.31	-	173,333
8 August 2021	£1.59	-	129,000
17 September 2022	£1.78	-	217,667
14 December 2022	£1.87	-	65,266
25 September 2023	£1.69	-	459,029
21 December 2025	£0.41	977,628	-
		1,177,628	1,377,628

The options outstanding at 30 June 2016 had a weighted average remaining contractual life of 8 years (2015: 6 years).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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25 Share based payments *continued*

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

The movement in SARs during the year ended 30 June 2016 is as follows:

	2016		2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	6,424,668	£1.69	6,424,668	£1.69
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	-	-	-	-
Forfeited	-	-	-	-
Outstanding at 30 June	6,424,668	£0.41	6,424,668	£1.69
Exercisable at 30 June	-	-	2,868,868	£1.66

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

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

The fair value of the SARs granted at 30 June 2015 has been calculated using the Black-Scholes-Merton model. The inputs into the model and resulting fair values were as follows:

	Number of SARs outstanding	Share price at 30 June 2015	Exercise price	Volatility	Vesting period	Expected life	Expected dividend yield	Risk free rate
August 2011	901,534	£1.15	£1.59	33%	2.5 years	10 years	0%	2.1%
August 2011	901,534	£1.15	£1.59	33%	3 years	10 years	0%	2.1%
September 2012	1,065,800	£1.15	£1.78	33%	2.5 years	10 years	0%	2.1%
September 2012	1,065,800	£1.15	£1.78	33%	3 years	10 years	0%	2.1%
September 2013	1,245,000	£1.15	£1.69	33%	2.5 years	10 years	0%	2.1%
September 2013	1,245,000	£1.15	£1.69	33%	3 years	10 years	0%	2.1%

26 Loss attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £523,000 (2015: £14,451,000 loss).

27 Notes to the statement of cashflows

Reconciliation of operating loss to net cash flow from continuing operations

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Operating loss	(5,816)	(32,713)	(12,400)	(14,597)
Depreciation	2,724	6,422	81	88
Amortisation and exploration write off	478	265	-	-
Impairment of property, plant and equipment	-	12,905	-	-
Provision for share based payments	(674)	(3,506)	(674)	(3,506)
Provision for intercompany receivable	-	-	(4,983)	5,247
Impairment in subsidiary	-	-	17,405	11,377
Currency translation adjustments	(138)	250	(49)	30
(Increase)/decrease in receivables	4,473	5,582	(8,362)	(24,180)
Increase/(decrease) in payables	(11,605)	9,494	(1,757)	(857)
Increase/(decrease) in other provisions	(23)	(461)	-	(461)
Net cash flow from operations	(10,581)	(1,762)	(10,739)	(26,859)

28 Other financial commitments

The Group has entered into commercial property leases. These include a clause to enable upward revision of rental charges according to prevailing market conditions.

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

	Land and buildings	
	2016 £'000	2015 £'000
Within one year	300	233
Within two to five years	1,136	694
More than five years	649	354
	2,085	1,281

NOTES TO THE FINANCIAL STATEMENTS

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29 Ultimate controlling party and related party transactions

In the opinion of the Directors there is no ultimate controlling party. All other transactions and balances with related parties, which are presented for the Group and the Company, are detailed below.

Transactions with subsidiaries

Transactions with subsidiaries mainly comprise sale and purchase of services in the ordinary course of business at normal commercial terms and in total amounted to £1,352,000 (2015: £2,707,000). The Parkmead Group plc received dividends from subsidiaries of £12,788,000.

Any balances outstanding at 30 June 2016 and 2015 in respect of the above transactions are shown in Note 17 and Note 19.

Transactions with Directors

In August 2012, the Company entered into a 10 year commercial office lease with Tilestamp Limited, a company where T P Cross is a director and a shareholder. In November 2015, the Company entered into a 10 year lease with Tilestamp Limited for additional office accommodation. Rents charged during the period amounted to £261,000 (2015: £169,000).

Key management

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

	2016 £'000	2015 £'000
Short-term employee benefits	803	824
Post-employment pension benefits	93	130
Share-based payment transactions	(1,393)	(3,965)
	(497)	(3,011)

30 Jointly Controlled Assets

Fields in production or under development as at 30 June 2016:

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

NOTES TO THE FINANCIAL STATEMENTS

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30 Jointly Controlled Assets *continued*

Exploration acreage and discoveries as at 30 June 2016:

Country	Licence	Block Destination	Field Name	Field Operator	Net unit Interest (%)
Netherlands	Andel Va	Andel Va	Ottoland	Vermilion Oil & Gas Netherlands BV	15
Netherlands	Andel Vb	Andel Vb	-	Vermilion Oil & Gas Netherlands BV	7.5
Netherlands	Papekop	Papekop	Papekop	Vermilion Oil & Gas Netherlands BV	15
UK	P.1242	48/1a, 47/5b	Platypus	Dana Petroleum (E&P) Limited	15
UK	P.1566	47/4d, 47/5d	Pharos	Hansa Hydrocarbons	30.77
UK	P.1742	47/10c, 48/6c	Blackadder	Hansa Hydrocarbons	30.77
UK	P.2082	30/12c, 13c, 17e,18c	Skerryvore	Parkmead (E&P) Limited	30.5
UK	P.2069	205/12	Davaar	Parkmead (E&P) Limited	74
UK	P.1966	132/3a, 8, 13a	Longships/ Godrevy/ Pendeen/Wolf	Parkmead (E&P) Limited	100
UK	P.2209	42/19, 20b	Farne	Parkmead (E&P) Limited	50
UK	P.2296	205/13	Sanda North/ South	Parkmead (E&P) Limited	74
UK	P.218	15/21a	Perth	Parkmead (E&P) Limited	52.03
UK	P.218	15/21a	Dolphin/Sigma	Parkmead (E&P) Limited	52.03
UK	P.218	15/21a	Gamma Spaniards	MOL	12.62
UK	P.218	15/21f	-	Parkmead (E&P) Limited	52.03
UK	P.588	15/21b, 21c	Perth	Parkmead (E&P) Limited	52.03
UK	P.2154	14/25a	Scapa	Parkmead (E&P) Limited	52.03
UK	P.2156	15/11, 16f	Fynn/Penny	Parkmead (E&P) Limited	25
UK	P.2206	16/22d	North Burghley	Parkmead (E&P) Limited	60
UK	P.2218	20c, 4a	Polecat/Marten	Parkmead (E&P) Limited	50
UK	P.1944	14/20e	Fynn	Parkmead (E&P) Limited	25

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