

Company no.SC397002

Parkmead (E&P) Limited

Financial Statements

For year end 30 June 2012

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Parkmead (E&P) Limited

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Parkmead (E&P) Limited

Directors' report

The Directors present their annual report and financial statements of the Company for the year ended 30 June 2012.

General information

Parkmead (E&P) Limited is a limited company incorporated on 4 April 2011 and is domiciled in the UK. The Company's registered number is SC397002.

Principal activities

The Company is a wholly owned subsidiary of The Parkmead Group plc.

The principal activity of the Company is that of oil and gas exploration and production.

Results and dividends

The Company's loss for the financial year after taxation amounted to £285k (2011: £-). The Directors do not recommend the payment of a final dividend (2011: £-).

Business review and future developments

Parkmead (E&P) Limited has made considerable early progress building a significant new independent oil and gas company. During 2012, the Company made a significant number of acquisitions across the UKCS and Netherlands demonstrating the Company's intentions to grow the Company rapidly through acquisitions, alongside organic growth, in its core areas of Europe and Africa.

In November 2011, the Company completed the acquisition of 15% stakes in Blocks 48/1a, 47/5b and 48/1c in the Southern North Sea containing the Platypus Gas Field and Possum Gas Prospect.

In February 2012, the Company completed the acquisition of four stakes of 20% interest each in Blocks 48/4d, 47/5d, 47/10c and 48/6c containing the large Pharos Gas Prospect.

In March 2012, the Company agreed the acquisition of a portfolio of Netherlands onshore assets from Dyas B.V. providing the Company with its first production. This was completed in August 2012, post year end.

The Company is equally focused on building the business through organic growth, both through drilling and licence applications, and via acquisition. During 2012, the Company made a major suite of applications for new UK licences in the UKCS 27th licensing round. We are very pleased to report that we have been successful in the licensing round with the award of six licences comprising interests in a total of 25 offshore blocks or partial blocks across the Central North Sea, West of Scotland and West of Shetlands. In addition, Parkmead has also applied for certain licences in the 27th Round within the UKCS Southern Gas Basin which are yet to be awarded by the UK government due to their location in blocks close to, or in, certain Specific Areas of Conservation (SACs) and Special Protection Areas (SPAs).

In August 2012, the Company was delighted to announce strong drilling results from the Platypus Appraisal well in the UK Southern North Sea. As we move into the second half of 2012 and into 2013 the Company has an active drilling schedule across our portfolio of assets.

As we look ahead into 2013, the Company has a continued appetite for acquisitions and will look to add reserves through its active drilling programme. We believe the Company has created a strong platform to become a key exploration and production (E&P) player and consolidator in the North Sea and beyond. We will continue to update shareholders as we make further progress.

Principal risks and uncertainties

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

Parkmead (E&P) Limited Directors' report

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

The Company's activities may also be curtailed, delayed or cancelled not only as a result of weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply.

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

The Company manages its non-operated production through joint ventures with appropriate planning, budgetary and asset management monitoring.

The development of the Company's properties will depend upon the Company's ability to obtain financing through the joint venture of projects, debt financing, farm downs or other means. There is no assurance that the Company will be successful in obtaining the required financing or attracting farminees in the medium term. If the Company 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.

Directors and their interests

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

T P Cross	
D A MacKay	
N P Doran	resigned 25 October 2011

Details of all Directors' emoluments can be found in Note 7 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.

Financial risk management policies

Further details of the Company's financial risk management policies are set out in Note 13 to the financial statements.

Going concern

The Directors, after making appropriate enquiries have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. A letter of support has been obtained from the parent company, The Parkmead Group plc, confirming that financial support will be provided to the Company for a period of 12 months from the date of signing of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements with continued parent company financial support.

Post balance sheet events

These are detailed in note 17 of the financial statements.

Parkmead (E&P) Limited

Directors' report

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 Company's financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

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

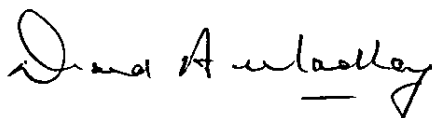
- so far as that Director was aware there was no relevant available information of which the Company's auditors were unaware; and
- that Director has taken all steps a Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's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

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

Auditors

Nexia Smith & Williamson have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Donald MacKay
Chief Financial Officer
15 November 2012

Independent auditor's report to the Members of Parkmead (E&P) Limited

We have audited the financial statements of Parkmead (E&P) Limited for the year ended 30 June 2012 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, and the related notes 1 to 18. 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.

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 3, 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 Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

15 November 2012

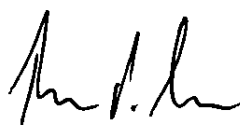
Parkmead (E&P) Limited
Statement of comprehensive income
for the year ended 30 June 2012

	Notes	2012 £	2011 £
Continuing operations			
Revenue	3	441,171	-
Exploration and evaluation expenses		(685,621)	-
Administrative expenses		(41,042)	-
Loss before taxation		(285,492)	-
Taxation	8	-	-
Loss for the year		(285,492)	-
Total comprehensive loss for the year attributable to the equity holders of the Company		(285,492)	-

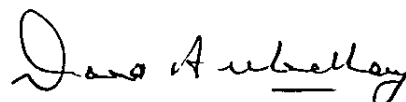
Parkmead (E&P) Limited
Statement of financial position
As at 30 June 2012

		2012	2011
	Notes	£	£
Non-current assets			
Exploration and evaluation assets	9	3,063,502	-
Total non-current assets		3,063,502	-
Current assets			
Trade and other receivables	10	441,172	1
Total current assets		441,172	1
Total assets		3,504,674	-
Current liabilities			
Trade and other payables	11	(3,790,165)	-
Total current liabilities		(3,790,165)	-
Total liabilities		(3,790,165)	-
Net liabilities		(285,491)	1
Equity attributable to equity holders			
Called up share capital	14	1	1
Retained deficit		(285,492)	-
Total Equity		(285,491)	1

The financial statements on pages 5 to 18 were approved by the Board of Directors on 15 November 2012 and signed on its behalf by:



Tom Cross
Director



Donald MacKay
Director

Parkmead (E&P) Limited
Statement of Changes in Equity
As at 30 June 2012

	Share capital £	Retained deficit £	Total £
At 4 April 2011	-	-	-
Issue of ordinary shares	1	-	1
As at 30 June 2011	1	-	1
Total comprehensive loss for the year	-	(285,492)	(285,492)
As at 30 June 2012	1	(285,492)	(285,491)

Parkmead (E&P) Limited
Statement of cashflows
for the year ended 30 June 2012

		2012	2011
	Notes	£	£
Cashflows from operating activities		-	-
Continuing activities	15	2,962,135	-
Taxation paid		-	-
Net cash generated by operating activities		2,962,135	-
		-	-
Cash flow from investing activities		-	-
Purchase of exploration and evaluation assets		(2,962,135)	-
Net cash (used in) investing activities		(2,962,135)	-
		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

Parkmead (E&P) Limited

Notes to the financial statements

1. Corporate information

The financial statements of the Company for the year ended 30 June 2012 were authorised for issue by the Board of Directors on 15 November 2012 and the Statement of Financial Position was signed on the Board's behalf by T P Cross and D A MacKay. The Company is a private limited company incorporated in Scotland. The registered office is located at 17 Rubislaw Terrace, Aberdeen, AB10 1XE.

2. Accounting policies

Basis of preparation of the financial statements

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

The 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.

The Directors, after making appropriate enquiries have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. A letter of support has been obtained from the parent company, The Parkmead Group plc, confirming that financial support will be provided to the Company for a period of 12 months from the date of signing of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements with continued parent company financial support.

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.

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of discounts, and sales taxes.

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.

Oil and gas expenditure – exploration and evaluation assets

Capitalisation

Pre-acquisition costs on oil and gas assets are recognised in the Income Statement 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 income statement.

Impairment

The Company'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

Parkmead (E&P) Limited

Notes to the financial statements

current CGU consists of the Company's whole E&E portfolio. E&E assets are reviewed for impairment when circumstances arise which indicate that the carrying value of an E&E asset exceeds the recoverable amount. When reviewing E&E assets for impairment, the combined carrying value of the grouped CGU is compared with the grouped CGU's recoverable amount. The recoverable amount of a grouped CGU is determined as the higher of its fair value less costs to sell and value in use. Impairment losses resulting from an impairment review are written off to the income statement.

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 Income Statement as a gain or loss. When a commercial transaction involves a D&P asset and takes the form of a farm-in or farm-out agreement, the premium expected to be paid/received is treated as part of the consideration.

Fair value calculations are not carried out for commercial transactions involving the exchange of E&E assets. The capitalised costs of the disposed asset are transferred to the acquired asset. Farm-in and farm-out transactions of E&E assets are accounted for at cost. Costs are capitalised according to the Company'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 income statement 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 income statement, after deducting the related net book value of the asset.

Decommissioning

The Company 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 an income statement 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.

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 Company as a whole. Segment profit represents the profit earned by each segment without allocation of foreign exchange gains or losses, gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance.

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

Foreign currency

Functional and presentation currency

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

Parkmead (E&P) Limited

Notes to the financial statements

Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the 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 for the year. Taxable profit differs from net profit as reported in the income statement 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 balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

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

Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade receivables

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

Trade payables

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

Parkmead (E&P) Limited

Notes to the financial statements

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.

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 Company'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 Company are discussed in more detail in the following accounting policies:

- Oil and Gas: Intangible Exploration Assets – Impairment
- Oil and Gas: Decommissioning Provisions

New IFRS accounting standards and interpretations adopted in the year

The following standards, amendments and interpretations are new and effective for the year end 30 June 2012 and have been adopted. None of the pronouncements had a material impact on the Company's results, assets or liabilities:

- IAS 24 (Amendment) Related Party Disclosures effective 1 January 2011
- IFRS 7 (Amendment) Financial Instruments: Disclosures effective 1 July 2011
- IFRIC 14 (Amendment) Prepayments of a minimum funding requirement effective 1 January 2011

New IFRS accounting standards and interpretations not yet adopted

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

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

- IAS 12 (Amendment) Income Taxes effective 1 January 2012
- IAS 1 (Amendment) Presentation of Financial Statements effective 1 July 2012
- IAS 27 Separate Financial Statements effective 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures effective 1 January 2013
- IFRS 7 (Amendment) Disclosures - Offsetting Financial Assets and Liabilities effective 1 January 2013
- IFRS 10 Consolidated Financial Statements effective 1 January 2013
- IFRS 11 Joint Arrangements effective 1 January 2013
- IFRS 12 Disclosures of Interest in Other Entities effective 1 January 2013
- IFRS 13 Fair Value Measurement effective 1 January 2013
- IAS 19 (Amendment) Employee Benefits effective 1 January 2013
- IAS 27 Consolidated and Separate Financial Statements effective 1 January 2013
- IAS 28 Investments in Associates effective 1 January 2013
- IAS 32 (Amendment) Offsetting Financial Assets and Liabilities effective 1 January 2014
- IFRS 9 Financial Instruments: Presentation – Classification and Measurement effective 1 January 2015

3. Revenue

	2012 £	2011 £
An analysis of the Company's revenue is as follows:		
Continuing operations		
Rendering of services	441,171	-

Parkmead (E&P) Limited

Notes to the financial statements

4. Auditors' remuneration

	2012 £	2011 £
Audit fees payable to the auditor for the audit of the Company's annual financial statements	9,500	-
Fees payable to the Company's current auditors and its associates for other services		
Other services relating to taxation	2,500	-
	12,000	-

5. Operating segment information

The Company operates a single class of business being oil and gas exploration, appraisal, development and production and related activities in a single geographical area presently being North West Europe.

6. Staff costs

There was no staff employed by the Company during the year as the payroll is met by The Parkmead Group plc.

7. Directors' emoluments

None of the Directors received any fees or remuneration for services as Directors of the Company during the financial year. All Directors' contracts of employment are held with another group company.

The Directors also hold office in other group undertakings. Emoluments paid to directors by other group companies are disclosed within their financial statements.

8. Taxation

The major components of income tax expense for the years ended 30 June 2012 and 2011 are:

	Note	2012 £	2011 £
Current tax:			
Corporation tax at 25.5% (2011: -%) based on the loss for the year		-	-
Deferred tax:			
Relating to origination and reversal of temporary differences	12	-	-
Income tax expense reported in the income statement		-	-

Tax has been calculated using an estimated annual effective rate of 25.5% (2011: -%) on profit before tax.

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

	2012 £	2011 £
Loss on ordinary activities before tax	(285,492)	-
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.5% (2011: -%)	(72,800)	-
Effects of:		
Unrelieved tax losses	(72,800)	-
Total tax charge for the year	-	-

Parkmead (E&P) Limited

Notes to the financial statements

9. Intangible assets

Year ended 30 June 2012	Exploration and Evaluation assets £	Total £
As at 30 June 2011	-	-
Additions	3,063,502	3,063,502
As at 30 June 2012	3,063,502	3,063,502
Amortisation and impairment		
At 30 June 2011	-	-
At 30 June 2012	-	-
Net book amount		
At 30 June 2012	3,063,502	3,063,502
At 30 June 2011	-	-

10. Trade and other receivables

	2012 £	2011 £
Current assets		
Trade receivables	441,172	-
	441,172	-

Current assets Trade receivables

Trade receivables are non-interest bearing and generally have a 30 – 90 day term. Due to their short maturities, the fair value of trade receivables approximates their carrying amount.

A provision for impairment of trade receivables is established when there is no objective evidence that the Company will be able to collect all amounts due according to the original terms. The Company 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. The ageing analysis of these trade receivables is as follows:

	2012 £	2011 £
0 to 3 months	441,172	-

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

	2012 £	2011 £
Pound Sterling	441,172	-
Other currencies	-	-
	441,172	-

Parkmead (E&P) Limited

Notes to the financial statements

11. Trade and other payables

	2012 £	2011 £
Current liabilities		
Trade payables	688,681	-
Amounts owed to parent company	2,724,456	-
Accruals and deferred income	377,028	-
	3,790,165	-

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. 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.

12. Deferred tax

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses as there is insufficient evidence that the asset will be recovered. The amount of trading losses available are £285k (2011:£-).

13. Financial instruments and financial risk factors

Financial risk management

The Company actively monitors and manages the financial risks relating to its operations on a continuous basis. The Company's operations expose it to a variety of financial risks that include capital risk, credit risk and liquidity risk. The Company's financial instruments comprise cash and cash equivalents, and various items such as trade receivables and trade payables that arise directly from its operations.

The Company 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.

Capital risk

The Company considers its capital under management to be its free cash and cash equivalents and amounts owed to parent company. The 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 Company undertakes financial modelling and technical assessments on proposed investments.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. Customer credit risk is managed subject to the Company's established policy, procedures and control. Outstanding customer receivables are regularly monitored.

The requirement for impairment is analysed each reporting date on an individual basis for each client. The maximum exposure to credit risk at the reporting date amounted to £441,172 (2011: -). The company does not hold collateral as security.

Liquidity risk

The Company actively reviews its requirements for long-term and short-term debt finance to ensure it has sufficient available funds for operations and planned expansions. The Company monitors its levels of working capital to ensure that it can meet its obligations as they fall due. The Directors consider that with its current available cash and cash equivalents and with the support of its parent company, The Parkmead Group plc, the Company has sufficient working capital.

Parkmead (E&P) Limited

Notes to the financial statements

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

	2012 £	2011 £
Trade payables and other liabilities		
6 months or less	3,790,165	-
6-12 months	-	-
More than 1 year	-	-
	3,790,165	-

Fair values of financial assets and liabilities

The following is a comparison by category of the carrying amounts and fair values of the Company's financial assets and liabilities at 30 June 2012. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Receivables at amortised cost	441,172	441,172	-	-
Financial liabilities at amortised cost	(3,790,165)	(3,790,165)	-	-
	(3,348,993)	(3,348,993)	-	-

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.

14. Share capital and reserves

	2012 & 2011 No.
Allotted, called up and fully paid: Ordinary shares of £1 each	1

15. Notes to the cashflow statement

	2012 £	2011 £
Loss for the year	(285,492)	-
Operating cash flow before movements in working capital	(285,492)	-
Increase in amounts due to related parties	2,724,456	-
(Increase) / decrease in receivables	(441,171)	-
Increase in payables	964,342	-
Net cash inflow from operating activities	2,962,135	-

Parkmead (E&P) Limited

Notes to the financial statements

16. Ultimate controlling party and related party transactions

The ultimate holding Company is The Parkmead Group plc, a company registered in England and Wales. All other transactions and balances with related parties, which are presented for the Company, are detailed below.

Transactions with subsidiaries

The following amounts were outstanding at the balance sheet date:

	2012 £	2011 £
Amounts owed to related parties		
The Parkmead Group plc	2,724,456	-

Amounts repayable to The Parkmead Group plc have no fixed repayment terms and do not carry any interest charge.

During the year the Company entered into the following transactions with related parties:

	2012 £	2011 £
Transactions in the year		
The Parkmead Group plc	295,600	-

Transactions with subsidiaries mainly comprise sale and purchase of services in the ordinary course of business at normal commercial terms.

The company has given a cross company guarantee to its parent company, The Parkmead Group plc, regarding a £8 million loan facility with Thomas Cross and entities affiliated to him. The loan is secured by a standard floating charge provided by The Parkmead Group plc.

17. Post balance sheet events

Parkmead Acquires Stakes in Six Oil and Gas Fields and Achieves First Production

On 8 August 2012 Parkmead completed the acquisition of a portfolio of Netherlands onshore assets from Dyas B.V. for a total consideration of €7.5 million, comprising interests in four producing gas fields and two oil fields. These assets specifically comprise:

- A 15 per cent interest in the Andel V Production Licence, including the two producing gas fields at Wijk en Aalburg and Brakel, as well as the Ottoland oil field development;
- A 15 per cent interest in the Papekop Production Licence, including the Papekop oil field development; and
- A 15 per cent interest in the Drenthe III Production Licence (excluding Vinkega) and the Drenthe IV Production Licence, which together include the two producing gas fields at Geesbrug and Grolloo.

The consideration for the assets comprises an initial cash payment of €4.5 million (before working capital adjustments from the effective date to the date of completion) for the acquisition of the interests and a contingent payment of €3 million, payable on the first commercial sale of oil from the Papekop field development.

In addition, the portfolio being acquired provides Parkmead with near term oil field developments at Ottoland and Papekop with the former forecast to come on stream in 2013. The recent successful extended well test performed on Ottoland during Q4 2011 produced oil at a stable rate from the existing single well on this accumulation. Analysis of the test results will allow optimisation of the development plan, including determination of the number of production wells required to efficiently.

Parkmead (E&P) Limited **Notes to the financial statements**

18. Jointly Controlled Assets

Exploration acreage and discoveries as at 30 June 2012:

Country	Licence	Block Destination	Field Name	Field Operator	Net unit Interest (%)
UK	P.1242	48/1a, 47/5b	Platypus	Dana	15
UK	P.1566	47/4d, 47/5d		Dana	20
UK	P.1594	48/1c		Dana	15
UK	P.1742	47/10c, 48/6c	47/10 - 8	Dana	20