# Ramco Energy plc

**Interim Results for the six months ended 30 June 2009**

**Financial Results**

The Group recorded a loss from continuing operations after tax of £2.5 million for the first six months of 2009 compared to a loss of £1.2 million for the first six months of 2008.

Operating expenses increased from £1.1 million in the prior period to £2.0 million in the current period reflecting additional expenditure in connection with the successful establishment of SeaEnergy Renewables Limited.

Net finance income decreased from £57,000 in the first six months of 2008 to £29,000 in same period of 2009.

Share of loss in associates and other related movements increased from £0.3 million to £0.5 million.

Group cash balances at 30 June 2009 were £1.8 million compared with £0.9 million a year earlier. £2.7 million was raised in the period through a placing of shares and by the exercise of warrants. £0.2 million was drawn down under the loan facility provided by LC Capital Master Fund Ltd. Repayment of that facility has been further extended until 24 January 2010.

Total equity attributable to the equity holders of the Company has decreased from £4.3 million at 30 June 2008 to £3.4 million as at 30 June 2009. The decrease arises primarily from losses over the year to 30 June 2009 of £4.3 million offset by the issue of new share capital of £3.5 million.

The Board is not recommending the payment of an interim dividend.

**Principal Risks and Uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group. Further details of the Group's risk profile analysis can be found on pages 17 to 18 of our Annual Report for 31 December 2008, available from the website: www.ramco-plc.com. There has been no change in the risk profile since the Annual Report.

## Consolidated Interim Balance Sheet

| | Note | ***30 June 2009 (unaudited) £'000*** | *31 December 2008 (audited)* £'000 | 30 June 2008 (unaudited) £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Goodwill and other intangible assets | 3 | **2,461** | 2,404 | 2,279 |
| Property, plant & equipment | | **152** | 159 | 161 |
| Investments | 4 | **2,235** | 2,701 | 2,846 |
| | | **4,848** | 5,264 | 5,286 |
| **Current assets** | | | | |
| Trade and other receivables | | **855** | 626 | 298 |
| Cash and cash equivalents | | **1,789** | 1,051 | 855 |
| | | **2,644** | 1,677 | 1,153 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **(2,134)** | (2,016) | (1,640) |
| Loans and borrowings | | **(1,700)** | (1,500) | – |
| Provisions | | **(3)** | (2) | – |
| | | **(3,837)** | (3,518) | (1,640) |
| **Net current liabilities** | | **(1,193)** | (1,841) | (487) |
| **Non-current liabilities** | | | | |
| Deferred income tax liabilities | 6 | **(489)** | (489) | (490) |
| Other non-current liabilities | | **(24)** | (26) | (30) |
| | | **(513)** | (515) | (520) |
| **Net assets** | | **3,142** | 2,908 | 4,279 |
| **Equity** | | | | |
| Ordinary shares | | **5,302** | 4,611 | 3,915 |
| Shares to be issued | | **–** | – | 1,000 |
| Share premium | | **73,211** | 71,196 | 70,119 |
| Deficit on retained earnings | | **(75,113)** | (72,778) | (70,745) |
| **Total equity attributable to equity holders of the parent** | | **3,400** | 3,029 | 4,289 |
| **Minority interest** | | **(258)** | (121) | (10) |
| **Total equity** | | **3,142** | 2,908 | 4,279 |

**Consolidated Interim Income Statement**

| | Note | *Half-year ended 30 June* **2009** **(unaudited)** **£'000** | *2008* *(unaudited)* *£'000* |
|---|---|---|---|
| **Continuing operations** | | | |
| **Operating loss** | | **(2,016)** | (1,104) |
| Finance income | | **64** | 61 |
| Finance expense | | **(35)** | (4) |
| **Finance income – net** | | **29** | 57 |
| Share of loss of associates | 4 | **(272)** | (202) |
| Other movements in respect of associates | 4 | **(194)** | 68 |
| **Loss before taxation** | | **(2,453)** | (1,181) |
| Taxation | | **–** | – |
| **Loss from continuing operations** | | **(2,453)** | (1,181) |
| **Discontinued operation** | | | |
| Loss from discontinued operation | | **(21)** | (39) |
| **Loss for the financial period** | | **(2,474)** | (1,220) |
| **Attributable to:** | | | |
| Equity holders of the group | | **(2,337)** | (1,209) |
| Minority interests | | **(137)** | (11) |
| **Loss for the financial period** | | **(2,474)** | (1,220) |
| **Loss per share** | | | |
| Basic and diluted | 2 | **(4.84)p** | (3.25)p |
| **Continuing operations** | | | |
| **Loss per share** | | | |
| Basic and diluted | 2 | **(4.80)p** | (3.15)p |

**Statement of Comprehensive Income**

There are no items of Comprehensive Income other than those reported on the Income Statement for the period. Consequently no separate Statement of Comprehensive Income has been prepared.

## Consolidated Interim Statement of Cash Flows

| | Note | ***Half year ended 30 June*** **2009** ***(unaudited)*** **£'000** | *2008* *(unaudited)* £'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Continuing operations | 5 | **(2,136)** | (1,136) |
| Net finance income | | **(29)** | (57) |
| **Net cash used in operating activities** | | **(2,165)** | (1,193) |
| **Cash flows from investing activities:** | | | |
| Interest received | | **64** | 31 |
| Acquisition of intangible assets | 3 | **(57)** | – |
| Acquisition of subsidiary, net of cash acquired | | **–** | (38) |
| Acquisition of property, plant and equipment | | **(7)** | (11) |
| **Net cash used in investing activities** | | – | (18) |
| **Cash flows from financing activities:** | | | |
| Proceeds from issue of share capital | 1 | **2,706** | – |
| Proceeds from borrowings | | **200** | – |
| Payment of finance lease liabilities | | **(2)** | (2) |
| **Net cash from/(used in) financing activities** | | **2,904** | (2) |
| **Net increase/(decrease) in cash and cash equivalents** | | **739** | (1,213) |
| Cash and cash equivalents at start of period | | **1,051** | 2,068 |
| Effect of exchange rate fluctuations on cash held | | **(1)** | – |
| **Cash and cash equivalents at end of period** | | **1,789** | 855 |

**Consolidated Statement of Changes in Equity**

| | *Attributable to equity holders of parent* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Share Capital £'000* | *Shares to be issued £'000* | *Share Premium £'000* | *Retained Earnings £'000* | *Total Equity £'000* | *Minority Interest £'000* | *Total Equity £'000* |
| **At 1 January 2008** | **3,689** | **–** | **69,633** | **(69,564)** | **3,758** | **–** | **3,758** |
| Loss for the year | – | – | – | (3,240) | (3,240) | (122) | (3,362) |
| Share based payments charge | – | – | – | 26 | 26 | – | 26 |
| Issue of new shares – gross consideration | 922 | – | 1,549 | – | 2,471 | – | 2,471 |
| Cost of issues recovered | – | – | 14 | – | 14 | – | 14 |
| Minority interest share subscription | – | – | – | – | – | 1 | 1 |
| **At 31 December 2008** | **4,611** | **–** | **71,196** | **(72,778)** | **3,029** | **(121)** | **2,908** |
| | | | | | | | |
| **At 1 January 2009** | **4,611** | **–** | **71,196** | **(72,778)** | **3,029** | **(121)** | **2,908** |
| Loss for the period | – | – | – | (2,337) | (2,337) | (137) | (2,474) |
| Share based payments charge | – | – | – | 2 | 2 | – | 2 |
| Issue of new shares – gross consideration | 691 | – | 2,111 | – | 2,802 | – | 2,802 |
| Costs of issue | – | – | (96) | – | (96) | – | (96) |
| **At 30 June 2009** | **5,302** | **–** | **73,211** | **(75,113)** | **3,400** | **(258)** | **3,142** |
| | | | | | | | |
| **At 1 January 2008** | 3,689 | – | 69,633 | (69,564) | 3,758 | – | 3,758 |
| Interest in share capital of subsidiary | – | – | – | – | – | 1 | 1 |
| Loss for the period | – | – | – | (1,209) | (1,209) | (11) | (1,220) |
| Share based payments charge | – | – | – | 28 | 28 | – | 28 |
| Issue of new shares – gross consideration | 226 | 1,000 | 524 | – | 1,750 | – | 1,750 |
| Costs of issue | – | – | (38) | – | (38) | – | (38) |
| **At 30 June 2008** | **3,915** | **1,000** | **70,119** | **(70,745)** | **4,289** | **(10)** | **4,279** |

## Notes to the Interim Statement

### 1. Basis of presentation

***Accounting Policies***

The interim financial information for the six months ended 30 June 2009 has been prepared on the basis of the accounting policies which will be adopted in the 2009 Annual Report and Accounts, and IAS 34, "Interim Financial Reporting" as adopted by the European Union.

IAS 1 (revised), "Presentation of financial statements is a mandatory statement which has been applied for the first time. The revised standard requires "non-owner" changes in equity to be shown in a Statement of Comprehensive Income. The Company has chosen to present two statements, the Income Statement and the Statement of Comprehensive Income. The interim financial statements have been prepared under the revised disclosure requirements.

The interim financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the six months to 30 June 2009 and the comparative results for six months to 30 June 2008 are unaudited. The comparative figures for the year ended 31 December 2008 do not constitute the statutory financial statements for that year. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs as adopted by the European Union. Those financial statements have been delivered to the Registrar of Companies and include the auditor's report which was unqualified and did not contain a statement either under Section 237(2) or Section 237(3) of the Companies Act 1985. It did, however, contain an emphasis of matter over the going concern basis of preparation for the Group. Therefore, this interim statement should be read with due regard to the uncertainties described within note 1 of the financial statements for the year ended 31 December 2008.

***Going Concern***

This interim financial information has been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future. The Group balance sheet as at 30 June 2009 shows net current liabilities of £1.2 million. However, the Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements for the following reasons:

- Included in net current liabilities is £1.2 million relating to a debt deferral agreement under which the lender has irrevocably waived the right to receive cash settlement in return for an option to settle the debt in shares of the Company.
- Included in net current liabilities is a loan from a significant shareholder of £1.7 million. Various repayment mechanisms are in place to repay the debt including conversion into an equity interest in potential new opportunities currently being pursued by the Group and by subscription for new ordinary shares in the Company.
- During the period the Company raised £2.7 million through the issue of new shares in a placing and through the exercise of warrants.
- Funding for the next phase of the Group's strategy has been secured with new third party investment raising £5.0 million before expenses.
- Permission will be sought from shareholders to issue further new shares to the same third party investor at the forthcoming General Meeting raising an additional £2.5 million before expenses.

The Group has accumulated, and continues to develop, a portfolio of energy interests which will either be developed in the medium term into revenue generating businesses or realised for cash if necessary.

The Group secured finance for its marine renewable energy subsidiary, SeaEnergy Renewables Limited ("SeaEnergy"), enabling it to employ a team with unique offshore experience. During the period Exclusivity Agreements have been entered into with the Crown Estate in relation to the proposed development of two offshore wind farm sites, subject to a Strategic Environmental Assessment by the Scottish Government. In both agreements SeaEnergy is partnered by major utilities. Additional finance is now being vigorously pursued with potential strategic and financial investors.

The Group's portfolio of interests also includes a direct interest in exploration royalties in the UK North Sea. Two of these royalties relate to undeveloped discoveries. Some of the royalties may become saleable assets in the short term or revenue generating in their own right in the medium term. Additionally the Group holds a royalty over acreage onshore Bulgaria where a gas discovery is being developed by the operator.

Subject to shareholder approval at the forthcoming General Meeting the Board intends to dispose of the current oil and gas assets of the Group in an orderly fashion.

The Directors have prepared cash flow forecasts for the Group. These indicate that the Group will have adequate cash resources to meet its obligations, as they fall due for at least twelve months from the date of approval of this interim financial information. However, there remains uncertainty as to whether the Group can be considered a going concern in that the Group currently has no immediate revenue streams. If for any reason the uncertainties described above cannot be successfully resolved, the going concern basis may no longer be applicable and adjustments to the Group income statement and Group balance sheet would be required to record additional liabilities and write down assets to their recoverable amounts.

## 2. Loss per Share

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

| | ***Half year ended 30 June (pence per share)*** | |
|---|---|---|
| | ***2009*** | *2008* |
| Loss per share for loss from continuing operations attributable to the equity holders of the Company | | |
| - basic | **(4.80)** | (3.15) |
| - diluted | **(4.80)** | (3.15) |
| Loss per share for loss from discontinued operation attributable to the equity holders of the Company | | |
| - basic | **(0.04)** | (0.10) |
| - diluted | **(0.04)** | (0.10) |
| Loss per share for loss continuing and discontinued operations attributable to the equity holders of the Company | | |
| - basic | **(4.84)** | (3.25) |
| - diluted | **(4.84)** | (3.25) |

The calculations were based on the following information:

| | ***£'000*** | *£'000* |
|---|---|---|
| Loss attributable to equity holders of the Company | | – |
| - continuing operations | **(2,316)** | (1,170) |
| - discontinued operation | **(21)** | (39) |
| - continuing and discontinued operations | **(2,337)** | (1,209) |
| | **No. of shares** | |
| Weighted average number of shares in issue | | |
| - basic | **48,288,751** | 37,174,866 |
| - dilute | **48,288,751** | 37,174,866 |

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has two classes of potential ordinary shares; share options and the debt deferral agreement. The Company previously had warrants outstanding but these were exercised in full during the period. As a loss was recorded for both the current and prior periods the issue of potential ordinary shares would have been anti-dilutive.

## 3. Goodwill and other intangible assets

| | *Other Intangible Assets £'000* | *Goodwill £'000* | *Total £'000* |
|---|---|---|---|
| **Year ended 31 December 2008** | | | |
| **Opening net book amount at 1 January 2008** | **39** | **–** | **39** |
| Additions | 126 | – | 126 |
| Acquisition of subsidiary (note 6) | 1,750 | 489 | 2,239 |
| **Closing net book amount at 31 December 2008** | **1,915** | **489** | **2,404** |
| **Six months ended 30 June 2009** | | | |
| **Opening net book amount at 1 January 2009** | **1,915** | **489** | **2,404** |
| Additions | 57 | – | 57 |
| **Closing net book amount at 30 June 2009** | **1,972** | **489** | **2,461** |
| **Six months ended 30 June 2008** | | | |
| **Opening net book amount at 1 January 2008** | **39** | **–** | **39** |
| Additions | 1 | – | 1 |
| Acquisition of subsidiary (note 6) | 1,750 | 489 | 2,239 |
| **Closing net book amount at 30 June 2008** | **1,790** | **489** | **2,279** |

Additions during the period of £57,000 relate to expenditure incurred in connection with the offshore wind farm acreage secured by the Company's SeaEnergy Renewables Limited subsidiary.

## 4. Investments

| | *£'000* |
|---|---|
| **At 1 January 2008** | **2,980** |
| Additions | 49 |
| Share of loss for year | (504) |
| Other movements | 176 |
| **At 31 December 2008** | **2,701** |
| **At 1 January 2009** | **2,701** |
| Share of loss for year | (272) |
| Other movements | (194) |
| **At 30 June 2009** | **2,235** |
| **At 1 January 2008** | **2,980** |
| Share of loss for year | (202) |
| Other movements | 68 |
| **At 30 June 2008** | **2,846** |

Other movements in the period of £194,000 comprise a dilution loss of £179,000, currency translation differences of £23,000 and share based payment credits of £8,000.

## *5.* Reconciliation of Loss for the Period to Net Cash Used in Operating Activities

| | | ***Half year ended 30 June*** | |
|---|---|---|---|
| | | ***2009*** | *2008* |
| | *Note* | ***£'000*** | *£'000* |
| **Loss for period from continuing operations** | | **(2,453)** | (1,181) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **14** | 12 |
| Share of loss from associates | | **272** | 202 |
| Other movements relating to associates | 4 | **194** | (68) |
| Equity settled share-based payment transactions | | **2** | 29 |
| Operating cash flows before movements in working capital | | **(1,971)** | (1,006) |
| Change in trade and other receivables | | **(229)** | 60 |
| Change in trade and other payables | | **64** | (187) |
| Change in provisions | | **1** | 1 |
| Cash outflow generated by operations | | **(2,135)** | (1,136) |
| Interest paid | | **(1)** | (4) |
| **Net cash used in continuing operating activities** | | **(2,316)** | (1,136) |
| **Loss for period from discontinued operation** | | **(21)** | (39) |
| - Adjustments for: | | | |
| - Net finance expense | | **21** | 39 |
| **Net cash used in discontinued operating activities** | | **–** | – |
| **Total net cash used in operating activities** | | **(2,136)** | (1,136) |

### 6. Business Combination

On 14 May 2008 the Group acquired Eagle HC Limited ("Eagle"). Eagle owns a portfolio of North Sea royalty interests that were accumulated by Exploration Geosciences Limited ("EGL").

The initial consideration was £1.25 million. Of this amount £0.25 million was satisfied on 14 May 2008 by the issue of 943,396 ordinary shares in the Company.

Further consideration of £0.5 million became payable upon the spudding of the next well on the royalty acreage. This occurred in June 2008 and consequently a further 1,317,292 ordinary shares in the Company were issued on 24 June 2008.

The balance of the initial consideration, £1.0 million, was satisfied on 14 July 2008 by the issue of 1,912,960 ordinary shares in the Company.

A further £0.5 million becomes payable when cash flow from the royalty portfolio commences. All such contingent consideration can be settled at the Company's option, either in cash or through the issue of new shares.

Eagle was dormant during the period and its acquisition had no effect on the Group profit and loss account for the period.

Details of net assets acquired and goodwill are as follows:

| | Fair value |
|---|---|
| | £'000 |
| Purchase consideration: | |
| Shares issued | **1,750** |
| Fair value of assets acquired | **(1,261)** |
| Goodwill (note 3) | **489** |

The assets and liabilities acquired are set out below:

| | Book value | Fair value adjustment | Fair value |
|---|---|---|---|
| | £ | £ | £ |
| Intangible assets | **–** | **1,750,000** | **1,750,000** |
| Receivables | **500** | **–** | **500** |
| Deferred income tax liabilities | **–** | **(489,000)** | **(489,000)** |
| | **500** | **1,261,000** | **1,261,500** |

The goodwill is attributable to the deferred taxation arising on the differences between the fair values attributed to the net assets acquired and the taxation base of the net assets acquired.

The fair value of the shares was based on the closing mid market prices at the time of issue.

The Directors do not believe that the final element of deferred consideration is probable and it has therefore been excluded from the total purchase consideration.

## 7. Related Party Transactions

*(a) Directors*

Executive Directors have voluntarily agreed to defer contractual bonus and pension payments as summarised below.

| | 30 June 2009 (unaudited) | 31 December 2008 (audited) | 30 June 2008 (unaudited) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| S E Remp | **96** | 74 | 52 |
| S R Bertram | **14** | 14 | 14 |
| C G Moar | **4** | 4 | 4 |
| | **114** | 92 | 70 |

No guarantees were given by the Company and no interest was charged on the outstanding balances.

*(b) Directors*

In addition to his Board fees as a Non-Executive Director, M N Groves Gidney undertook consultancy. In the period from his appointment on 20 August 2008 to 31 December 2008 he received £3,000 of consultancy fees.

*(c) Associates*

During the period to 30 June 2009 the Group made payments for administrative expenses on behalf of its associate company Mesopotamia Petroleum Company Limited ("MPC") of £101,000 (period to 30 June 2008: £16,000). The balance owed by MPC to the Group as at 30 June 2009 is £190,000 (30 June 2008: £7,000). It is unsecured and is to be settled in cash within six months of the reporting date. No interest is charged and no guarantee has been given.

During the period to 30 June 2009 the Group made payments for administrative expenses on behalf of its associate company Lansdowne Oil & Gas plc ("Lansdowne") of £13,000 (period to 30 June 2008: £12,000). The balance owed by Lansdowne to the Group as at 30 June 2009 is £272,000 (30 June 2008: £155,000). It is unsecured and is to be settled in cash within six months of the reporting date. No interest is charged and no guarantee has been given.

## 8. Contingent Liability

Under the terms of its JV agreement with Iraqi Drilling Company ("IDC"), if the Company's Associate, Mesopotamia Petroleum Company ("MPC"), fails to raise its share of the initial joint venture funding then MPC will be required to pay a penalty of US$2,205,000. Ramco and another MPC shareholder, and an associate of that shareholder, have jointly and severally guaranteed this amount.