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Highlights

- Two Standard Exploration Licences in the Celtic Sea awarded to AIM listed subsidiary, Lansdowne Oil & Gas plc.
- Business Development Executive strategically placed in the Middle East to advance discussions with officials at the Iraqi Ministry of Oil.
- Sale of 25.1 per cent of Lansdowne at a price of 50p per share to LC Capital Master Fund, generating a cash consideration of £2,612,000.
- Funding of £500,000 secured for 32.66 per cent owned joint venture company, Mesopotamia Petroleum Company Limited.
- Cash balances of £3.6 million as at 30 June 2007.
- Steve Lampe of Lampe Conway in New York joins the Board as a Non-Executive Director.
- Reporting under International Financial Reporting Standards for the first time.

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Chairman's Statement

Dear Shareholder,

Since my last statement, less than three months ago, we have continued with our turnaround strategy and have already confirmed, through our AIM listed subsidiary Lansdowne Oil & Gas plc ("Lansdowne"), the award of two exploration licences in the Celtic Sea.

Following the £2.6 million we raised through a sale of a part of our interest in Lansdowne at the end of June, I am pleased to be able to advise you that we have recently secured further funding of £500,000 directly into the joint venture company Mesopotamia Petroleum Company Limited ("MPC") in which we have a significant interest.

Financial Results

This is the first financial information presented by the Group that has been prepared under International Financial Reporting Standards ("IFRS"). The transition to IFRS added considerably to the timetable for the preparation of these interim results, although the impact is mainly presentational. With that transition complete and with our recent difficulties behind us, we will now be reverting to our previous reporting timetable.

The Group recorded a profit from continuing operations after tax of £127,000 for the first six months of 2007 compared to a profit of £61,000 for the first six months of 2006. Given the absence of revenue from continuing operations, profitability has been achieved in both periods through material gains created by the divestment of a part of the Group's interest in Lansdowne.

Operating expenses for the current and prior interim periods were £1.3 million. Overhead costs have fallen compared to the prior interim period but this fall has been offset by increased professional fees incurred through the Group's endeavours to secure new deals.

Net finance income fell from £49,000 in the first six months of 2006 to £32,000 in same period of 2007, reflecting the lower cash balances held by the Group over the period.

Group cash balances at 30 June 2007 were £3.6 million compared with £3.3 million a year earlier.

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

Lansdowne

Shortly after the recent General Election in Ireland, the new government announced the results of the review of oil and gas fiscal terms and in August Lansdowne was awarded two Standard Exploration Licences over its Rosscarbery, Middleton and East Kinsale assets. The Boards of both Lansdowne and Ramco consider the new fiscal terms in Ireland offer a fair

balance between continuing to encourage exploration and providing for a greater return to the Irish state in these times of higher oil and gas prices.

Lansdowne has already started planning for the drilling the key prospects. Discussions with potential farm-in partners are continuing. Ramco retains a 61 per cent interest in Lansdowne.

Mesopotamia Petroleum Company

Over the past three months our focus has been on the review and evaluation of some of the numerous opportunities which we had already identified. I referred in my last statement to our participation in MPC which we formed with Midmar Energy Limited in order to secure a position in Iraq through bidding on both oil service contracts and exploration and production opportunities. I am pleased to advise you that we have secured the injection of £500,000 into that joint venture company, which has enabled MPC to position a Business Development Executive in the region to accelerate the strategy for that venture. Since that appointment MPC has been successful in advancing high level discussions with officials at the Iraqi Ministry of Oil.

Notwithstanding the continued volatility and uncertainties in Iraq, we believe there are near-term opportunities arising in the provision of oil services to the Iraqi Ministry of Oil and its operating entities. Both Ramco and Firstdrill, a sister company of Ramco's co-investor Midmar, have extensive experience in the oil services sector in addition to the expertise that both Ramco and Midmar have in exploration and production.

The new investment into MPC will see Ramco's holding reduce from 49 per cent to 32.66 per cent. Given my own long involvement in the region, I am pleased to be acting as MPC's first Chairman.

Montenegro

Since reporting to shareholders in June, there have been no further developments. Together with our partners JugoPetrol Kotor ("JPK") and Hellenic Petroleum we have disputed the validity of the Montenegrin Government's unilateral decision to end the concession over Ulcinj (Block 3). We await the Government's response to our request to reconsider its refusal to extend the Prevlaka concession (Blocks 1 and 2) which is the subject of an application by JPK to the Montenegrin courts.

Board

I am delighted to announce that Steve Lampe of Lampe Conway in New York joins the Board as a Non-Executive Director with immediate effect.

Stephen E Remp
Executive Chairman

Condensed Consolidated Interim Balance Sheet

		30 June 2007	31 December 2006	30 June 2006 restated (unaudited)
	Note	(unaudited) £'000	(audited) £'000	(unaudited) £'000
Assets				
Non-current assets				
Intangible exploration/appraisal assets		1,790	1,849	6,463
Property, plant & equipment		170	202	136
	3	1,960	2,051	6,599
Current assets				
Trade and other receivables		190	328	606
Cash and cash equivalents		3,566	2,027	3,335
		3,756	2,355	3,941
Total assets		5,716	4,406	10,540
Liabilities				
Current liabilities				
Trade and other payables		(2,198)	(1,467)	(2,715)
Provisions		(25)	(25)	(19)
		(2,223)	(1,492)	(2,734)
Non-current liabilities				
Long-term provisions		—	—	(7)
Other non-current liabilities		(32)	(608)	—
		(32)	(608)	(7)
Total liabilities		(2,255)	(2,100)	(2,741)
Net assets		3,461	2,306	7,799
Equity				
Share capital	4, 5	3,502	3,502	3,502
Share premium	5	69,405	69,405	69,405
Retained earnings	5	(70,106)	(70,945)	(65,492)
Total equity attributable to equity holders of the parent		2,801	1,962	7,415
Minority interest	5	660	344	384
Total equity		3,461	2,306	7,799

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

		Half-year ended 30 June 2007	2006 restated (unaudited)
	Note	(unaudited) £'000	£'000
Continuing operations			
Cost of sales		(5)	(9)
Write off of intangible exploration assets	3	(135)	—
Gross loss		(140)	(9)
Operating expenses		(1,333)	(1,324)
Gain on listing of Lansdowne	6	—	1,345
Gain on sale of Lansdowne shares	6	1,568	—
Operating profit	2	95	12
Finance income		37	57
Finance expense		(5)	(8)
Profit before taxation		127	61
Taxation		—	—
Profit from continuing operations		127	61
Discontinued operation			
Loss from discontinued operation	7	(38)	(171)
Profit/(loss) for the financial period		89	(110)
Attributable to:			
Equity holders of the group		201	(99)
Minority interests		(112)	(11)
Profit/(loss) for the financial period		89	(110)
Earnings/(loss) per share			
Basic and diluted	8	0.6p	(0.3)p
Continuing operations			
Earnings per share			
Basic and diluted		0.7p	0.2p

There is no recognised income or expense, other than the Group profit or loss for the current and corresponding interim periods and, therefore, no Statement of Recognised Income and Expense has been presented.

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

	Half-year ended 30 June	
	2007	2006
	(unaudited)	(unaudited)
Note	£'000	£'000
Cash flows from operating activities:		
Continuing operations	(1,092)	(1,354)
Discontinued operation	—	599
Net cash used in operating activities	9 (1,092)	(755)
Cash flows from investing activities:		
Interest received	25	56
Proceeds from sale of property, plant and equipment	102	1,510
Proceeds from sale of shares in subsidiary	2,612	—
Acquisition of intangible exploration assets	(90)	(185)
Acquisition of property, plant and equipment	(15)	—
Discontinued operation	7 —	(1,251)
Net cash from investing activities	2,634	130
Cash flows from financing activities:		
Issue of share capital in Company	—	298
Issue of share capital in Lansdowne to minority interests	—	2,350
Payment of transaction costs	—	(611)
Payment of finance lease liabilities	(2)	—
Discontinued operation	7 —	(2,869)
Net cash used in financing activities	(2)	(832)
Net increase/(decrease) in cash and cash equivalents	1,540	(1,457)
Cash and cash equivalents at start of period	2,027	4,799
Effect of exchange rate fluctuations on cash held	(1)	(7)
Cash and cash equivalents at end of period	3,566	3,335

The notes on pages 6 to 17 form an integral part of this condensed interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1. Presentation of Accounts and Accounting Policies

General information

Ramco Energy plc (the "Company") and its subsidiaries (together, the "Group") explore for and develop oil and gas reserves, primarily in Ireland and eastern Europe.

The Company is a limited liability company, incorporated and domiciled in the UK. The address of its registered office is Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, AB32 6UF.

The Company's shares and, since 21 April 2006, those of its 61% subsidiary Lansdowne Oil & Gas plc ("Lansdowne"), are quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue by the Ramco Board on 20 September 2007. It was neither audited nor reviewed by the Group's external auditors.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006 were approved by the Board of Directors on 26 June 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under section 237 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 financial information should be read with due regard to the uncertainties described within note 1 of the financial statements for the year ended 31 December 2006.

Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2007 has been prepared in accordance with the Listing Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union ("EU"). The interim condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006 which have been prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP") and the Statement of Recommended Practice ("SORP") 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'.

Accounting policies

The Group now prepares its accounts in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union. This is the first financial information on the Group to have been prepared under IFRS and the disclosures required by IFRS 1 "First time adoption of IFRS" concerning the transition from UK GAAP to IFRS are given in note 11.

The IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted in these interim results are those issued by the International Accounting Standards Board ("IASB") up to 31 December 2006 that are mandatory for the year end 31 December 2007. Relevant new standards and interpretations issued by the IASB, but not yet effective and not applied in this financial information, are as follows:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. Share based payment awards relating to employees of a subsidiary are already recognised in the equity of that company. Therefore, no change to the current accounting policy will be required.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. The Group intends to early adopt this standard once it has been endorsed by the EU and is currently analysing the management information required to revise the Group's segmental reporting in line with this standard. Management do not currently foresee any changes to the group's business or geographical segments.

No other IFRS as issued by the IASB which are not yet effective are expected to have an impact on the Group's financial statements.

The accounting policies in the annual financial statements for the year ended 31 December 2006 were those adopted in accordance with UK GAAP. Therefore, the IFRS accounting policies adopted by the Group have been given in full in this financial information.

Basis of accounting

The Group prepares its accounts on the historical cost basis. Where the carrying value of assets and liabilities are calculated on a different basis, this is disclosed in the relevant accounting policy.

Basis of consolidation

The consolidated accounts include the results of Ramco Energy plc and its subsidiary undertakings, made up to 31 December each year. No separate income statement is presented for the parent company, as permitted by Section 230 of the Companies Act 1985.

The subsidiaries are those companies controlled, directly or indirectly, by Ramco Energy plc, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when Ramco Energy plc owns, either directly or indirectly, more than 50 per cent of the voting rights or potential voting rights of a company's share capital. Companies acquired during the year are consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes from the Group. Inter-company balances, transactions and resulting unrealised income are eliminated in full.

The Group allocates the purchase consideration of any acquisition to assets and liabilities on the basis of fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets and liabilities is recognised as goodwill. Any goodwill arising is recognised as an asset and subject to annual review for impairment. Business combinations arising prior to the Group's transition date to IFRS (1 January 2006) have not been revisited under the exemption provided by IFRS 1.

Investments in associated companies are accounted for by the equity method. These are companies over which the Group exercises, or has the power to exercise, significant influence, but which it does not control. This is normally evidenced when the Group owns 20 per cent or more of the voting rights or potential voting rights of the company. Balances and transactions with associated companies that result in unrealised income are eliminated to the extent of the Group's interest in the associated company.

When accounting for transactions with minority interests, the Group uses "the parent company" model of consolidation on the basis that this provides more relevant information to the equity shareholders of Ramco Energy plc. Under this model gains and losses arising from transactions with minority interests are reported through the income statement and not directly in equity.

Joint ventures

The Group participates in several unincorporated Joint Ventures which involve the joint control of assets used in the Group's oil and gas exploration activities. The Group accounts for its proportionate share of assets, liabilities, income and expenditure of Joint Ventures in which the Group holds an interest, classified in the appropriate balance sheet and income statement headings.

Oil and gas intangible exploration/appraisal assets and property, plant & equipment – development/producing assets

All expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting, as described in the Oil and Gas SORP. The Group's policy for oil and gas assets is also compliant with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Under this standard the Group's exploration and appraisal activities are capitalised as intangible assets and its development and production activities are capitalised as part of the "Property, plant and equipment" asset category.

All costs incurred prior to the acquisition of licences are expensed immediately to the income statement.

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible

assets, pending determination of the existence of commercial reserves in the licence area. Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, un-depleted, until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. If commercial reserves are determined to exist and the technical feasibility of extraction demonstrated, then the related capitalised exploration/appraisal costs are first subjected to an impairment test (see below) and the resulting carrying value is transferred to the development and producing assets category within property, plant and equipment. If no commercial reserves exist then that particular exploration/appraisal effort was “unsuccessful” and the costs are written off to the income statement in the period in which the evaluation is made. The success or failure of each exploration/appraisal effort is judged on a well by well basis.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field by field basis. Development expenditure comprises all costs incurred in bringing a field to commercial production, including financing costs. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Upon commencement of production, capitalised costs are amortised on a unit of production basis that is calculated to write off the expected cost of each asset over its life in line with the depletion of proved and probable reserves.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. These cash-generating units (“CGUs”) are aligned to the business unit and sub-business unit structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Royalty agreements

Royalties over production from oil and gas fields are initially recognised at cost or valuation and are classified as intangible assets. The royalty asset is held unamortised at its initial recognition value, pending determination of the commercial viability of the associated field. While the intangible asset is unamortised, its carrying value is subject to annual impairment tests.

If commercial reserves are proven not to exist then the royalty asset is written off to income statement in the period that the determination is made.

If commercial reserves are discovered then the royalty asset is tested for impairment and then amortised on a unit of production basis over the life of the field, based on commercial proven and probable reserves. The carrying

value is tested for further impairment whenever events or changes in circumstances indicate. In the event that the discovery values the royalty asset above its current carrying value, it can be revalued, through a revaluation reserve, if there is an active market for such royalties.

Property, plant and equipment – other

Property, plant and equipment is stated at historical cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of the items of property, plant and equipment. The depreciable amount is the cost less residual value based on prices prevailing at the balance sheet date. The depreciation charge is spread equally over the expected useful economic lives of the assets as follows:

Freehold and long leasehold buildings	50 years
Leasehold improvements	10 years*
Plant, fixtures and equipment	4-5 years

*Depreciation is charged over the shorter of 10 years or the remaining term of the lease.

Assets held under finance leases are depreciated over their expected lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sale's proceeds and the carrying amount of the asset at the date of disposal.

Investments

Shares in Group undertakings and associates are held as available for sale investments and shown at fair value where there is a quoted market price available and at cost less impairment provisions where the fair value cannot be reliably determined. Impairments occur where the recoverable value of the investment is less than its carrying value. The recoverable value of the investment is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the investee.

Leases

(a) As lessor

Rentals receivable under operating leases are included on an accruals basis.

(b) As lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

Inventory

Inventories are stated at the lower of cost and net realisable value on a First In First Out basis of accounting.

Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Taxation

Corporation tax is provided on taxable profits at the current rate of taxation.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Notes to the Condensed Consolidated Interim Financial Information (continued)

1. Presentation of Accounts and Accounting Policies (continued)

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary difference can be deducted. Deferred tax is measured on a non-discounted basis.

Defined contribution pension schemes

The Group contributes to defined contribution pension schemes. The pension cost represents contributions payable by the Group to the schemes.

Share based payments

The Group incentivises its employees and Directors with access to equity-settled share option schemes, details of which are given in the Directors' Remuneration Report and note 18 of the 2006 financial statements.

The cost of awards to employees and Directors under the share option scheme is recognised over the three or five year period to which the performance criteria relate. The amount recognised is based on the fair value of the share options, as measured at the date of the award. The corresponding credit is taken to a share based payments reserve, which is included within retained earnings. The proceeds on exercise of share options are credited to share capital and share premium.

The share options are valued using a Total Shareholder Return ("TSR") simulation model, which adjusts the fair value for the market-based performance criteria in the schemes. The TSR simulation model is based on the Monte Carlo model and is tailored to meet the requirements of the scheme's performance criteria. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, risk free rate of interest and patterns of early exercise of the plan participants.

Share based payments that are made to parties other than employees can be in the form of warrants or share options. They are valued at the fair value of the services received, where this can be reliably measured, and at the fair value of the instrument used otherwise. The cost is recognised over the period that the service is received with the corresponding credit taken to the share based payments reserve, which is classified within retained earnings.

Where warrants are issued as part of a transaction and no service or goods have been received in return, the fair value of the warrants is treated as a discount to the consideration received. The corresponding credit is taken to a separate component of equity, which is also classified within retained earnings.

Revenue and other income

Revenue from operating activities represents the Group's share of oil, gas and condensate production, and is recognised on the basis of the Group's net working interest in the project or joint venture.

Interest income is recognised on an accruals basis and is presented within "Finance income" in the income statement.

Foreign currency

The functional currency of the Company is sterling. The assessment of functional currency has been based on the currency of the economic environment in which the Company operates and in which its revenue and costs arise. These accounts have been presented in sterling, which is the functional currency of most companies within the Group. The financial statements of overseas subsidiaries and associated undertakings are maintained in their functional currency. Where the functional currency differs from the Group's presentational currency, they are translated into sterling at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to a cumulative translational reserve.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange gains and losses are taken to the income statement. Gains and losses on trading assets and liabilities are presented within "Operating expenses", and gain and losses

on cash and cash equivalents are presented within "Finance income" or "Finance expense".

Creditor payment policy

The Group's policy concerning the payment of its trade creditors is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

Financial instruments and risk management

The Group's current and anticipated operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates and commodity prices. The Board approves the use of financial products to manage the Group's exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Further details of the Group's accounting policy for financial instruments and risk management are given in note 23 of the 2006 financial statements.

Significant estimations and key assumptions

The Group has used estimates and assumptions in arriving at certain figures in the preparation of its financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below.

- Amortisation
- Impairment testing
- Share based payments
- Estimation of fair value of warrants
- Deferred tax

Comparative period

The corresponding amounts in the prior interim period have been adjusted for the effects of changes to accounting policies on transition to IFRS. These adjustments have been described in note 11. However, the corresponding amounts have also been restated for two errors in accordance with International Accounting Standard ("IAS") 8 – "Accounting Policies, Changes in Accounting Estimates and Errors".

(a) The gain of £1,345,000 on the listing of Lansdowne was incorrectly credited to minority interests within equity on the unaudited 30 June 2006 consolidated balance sheet, as reported in the 2006 Interim Results. The Group have adopted the parent company model of consolidation so that gains arising on transactions with minority interests are reported in the income statement. The gain is, therefore, shown in the restated consolidated interim income statement.

(b) The interest on the outstanding debt due to Schlumberger was incorrectly omitted from the prior interim results. The corresponding amount for discontinued operations in the interim income statement has been restated to include an additional £36,000 of accrued interest, which is half the total accrued for the 2006 full year financial statements. As the debt relates to the discontinued Seven Heads development, the accrued interest has been classified within discontinued operations. Trade payables were increased by £36,000 in the consolidated balance sheet as at 30 June 2006.

The combined effect of the restatements is a decrease of £36,000 to the Group's net assets position as at 30 June 2006 and the loss of £1,493,000 reported for the six months to 30 June 2006 should have been a loss of £184,000. Equity shareholder's funds should have been disclosed as £7,415,000 rather than £6,106,000. These corrections can be seen in the restated UK GAAP figures in note 11 and flow through to the corresponding amounts under IFRS.

2. Segment Information

	Central and eastern Europe £'000	Ireland £'000	Total continuing operations £'000	Total discontinued operation £'000	Corporate unallocated expenses and gains £'000	Total Group £'000
Six months ended 30 June 2007						
Revenue	—	—	—	—	—	—
Operating (loss) or profit / segment results	(405)	(423)	(828)	(38)	923	57
Operating loss from discontinued operation						(38)
Operating profit from continuing operation						95
						57
Six months ended 30 June 2006						
Revenue	—	—	—	986	—	986
Operating (loss) or profit / segment results	(680)	(183)	(863)	(105)	875	(93)
Operating loss from discontinued operation						(105)
Operating profit from continuing operation						12
						(93)

The Group currently has only one reportable business segment, which is the exploration for oil and gas reserves. Segment information is presented in respect of the Group's geographical segments, which are based on the Group's management and reporting structures.

3. Capital Expenditure and Impairment

	Tangible and intangible assets £'000
Six months ended 30 June 2006	
Opening net book amount at 1 January 2006	8,094
Additions	185
Disposals	(1,554)
Depreciation	(126)
Closing net book amount at 30 June 2006	6,599
Six months ended 30 June 2007	
Opening net book amount at 1 January 2007	2,051
Additions	76
Disposals	(20)
Depreciation	(12)
Write off of intangible exploration assets	(135)
Closing net book amount at 30 June 2007	1,960

Exploration costs of £135,000 capitalised against the Donegal Licence have been written off during the period. Through its Lansdowne subsidiary, the Group participated in the Inishbeg exploration well which was drilled in August 2006. This frontier exploration well, operated by Lundin Exploration B.V., was located offshore Ireland in Block 13/12 off the northwest coast of County Donegal. It was designed to target a large but shallow Triassic gas prospect. Under the terms of a farm-out agreement, Lansdowne was carried through all the costs associated with the drilling and testing of the well. The well was plugged and abandoned in August 2006. In the 2006 financial statements the Group reported that an extension to Phase I of the Donegal Licence had been applied for, in return for a limited work programme. The response from the Irish Petroleum Affairs Division ("PAD") indicated that to continue with the original Licence would require a well commitment. The majority of Lansdowne's partners in the joint venture did not wish to continue with the Licence and Lansdowne and the remaining partner were not prepared to support a well commitment on their own. For these reasons the Licence was relinquished.

4. Share Capital

	Ordinary shares of 10p each	
In thousands of shares	2007	2006
In issue at 1 January	35,018	33,145
Issued for cash	—	1,873
In issue at 30 June	35,018	35,018

On 5 April 2006, 520,322 new ordinary shares of 10p each were issued for 28.5p per share. The issue raised £149,000.

On 1 June 2006, 952,380 new ordinary shares of 10p each were issued for 10.5p per share and 400,400 new ordinary shares of 10p each were issued for 12.5p per share. The issue raised £150,000.

At the Annual General Meeting on 26 July 2007 a resolution was passed which increased the authorised share capital of the Company to £7,000,000 by the creation of 30,000,000 ordinary shares of 10 pence each, ranking pari passu with the existing 40,000,000 ordinary shares of 10 pence each.

There has been no issue of shares during the current interim period or between the balance sheet date and the date that this financial information was approved for issue.

Notes to the Condensed Consolidated Interim Financial Information (continued)

5. Reconciliation of Movement in Capital and Reserves

	Attributable to equity holders of the Company				Minority interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000		
Balance as at 1 January 2006	3,314	69,294	(65,393)	7,215	—	7,215
Total recognised income and expense	—	—	(99)	(99)	(11)	(110)
Issue of ordinary shares	188	111	—	299	—	299
Disposal to minority interest (note 6)	—	—	—	—	395	395
Balance as at 30 June 2006	3,502	69,405	(65,492)	7,415	384	7,799
Balance as at 1 January 2007	3,502	69,405	(70,945)	1,962	344	2,306
Total recognised income and expense	—	—	201	201	(112)	89
Share based payments	—	—	60	60	2	62
Disposal to minority interest (note 6)	—	—	578	578	426	1,004
Balance as at 30 June 2007	3,502	69,405	(70,106)	2,801	660	3,461

6. Listing and Sale of Lansdowne Shares

(a) On 21 April 2006 the Group successfully listed Lansdowne Oil and Gas plc (“Lansdowne”) on the Alternative Investment Market of the London Stock Exchange. The Group’s interest in Lansdowne reduced from 100 per cent to 86.25 per cent after the placing of 2,815,951 ordinary shares outwith the Group to minority interests. This raised a total of £2,350,000 in cash, before cash expenses of £611,000 and share based expenses of £136,000. The reduction in interest in Lansdowne constitutes a “deemed disposal” at Group level and resulted in a gain as calculated below.

	£'000
Group’s share of net assets and proceeds after listing (86.25% of Lansdowne)	2,468
Group’s share of net assets before listing (100% of Lansdowne)	(1,123)
Group gain on deemed disposal	1,345

The minority interests’ share of net assets and proceeds after listing (13.75% of Lansdowne) was £395,000.

(b) On 26 June 2007 Ramco Hibernia Limited, a wholly owned subsidiary of the Company, sold 5,225,000 ordinary shares (25.1 per cent) in Lansdowne at a price of 50p per share to LC Capital Master Fund, generating a cash consideration of £2,612,000. As part of the sale and purchase agreement, the Group granted LC Capital Master Fund warrants over 5,000,000 ordinary shares in Ramco Energy plc, at an exercise price of 14p. The exercise price was set at a discount of 4p to the prevailing market price of the shares at the date of sale. The fair value of these warrants was calculated as a discount to the cash consideration. This yields a net consideration that is a reasonable approximation to the fair value of the Lansdowne shares. The sale reduced the Group’s ownership of Lansdowne to 61.15 per cent and generated a gain on sale as calculated below

	£'000
Cash consideration	2,612
Discount attributed to sale and warrants	(578)
Net consideration for sale of shares	2,034
Selling costs	(40)
Net assets disposed to minority interest	(426)
Group gain on sale of shares	1,568

7. Discontinued operation

On 2 February 2006 the Company concluded the sale of its subsidiary Ramco Celtic Sea Limited, which held its 86.5% interest in the Seven Heads gas field, for £5.3 million, net of expense, to Marathon International Petroleum Hibernia Limited. All the proceeds of the sale, after costs, flowed to the Company's project finance lenders and retired sums due to them. As this disposal resulted in a material reduction in turnover for the Group's oil and gas operations, it was treated as a discontinued operation in the prior period.

The outstanding debt of £1,103,000 due to Schlumberger as at 30 June 2007 relates to the Seven Heads development. The interest accrued on this debt during the current interim period has also been classified within this discontinued operation.

Financial information relating to the Seven Heads operations is set out below. The income statement and statement of cash flows distinguish discontinued operations from continuing operations.

Income statement and cash flow information

	Half year ended 30 June	
	2007 £'000	2006 £'000
Revenue	—	986
Expenses	—	(357)
Loss on disposal	—	(734)
Loss before interest and tax from discontinued operation	—	(105)
Interest	(38)	(66)
Tax	—	—
Loss after tax from discontinued operation	(38)	(171)
Operating cash flows for discontinued operation:	—	599
Investing cash flows for discontinued operation:		
– cash disposed of	—	(1,251)
Net cash outflow	—	(1,251)
Financing cash flows for discontinued operation:		
– repayment of loan	—	(2,869)
Net cash outflow	—	(2,869)
Total cash flows	—	(3,521)

8. Earnings per Share

Earnings 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)	
	2007	2006
Earnings per share for profit from continuing operations attributable to the equity holders of the Company		
– basic	0.68	0.21
– diluted	0.66	0.21
Loss per share for loss from discontinued operation attributable to the equity holders of the Company		
– basic	(0.11)	(0.51)
– diluted	(0.11)	(0.51)
Earnings/(loss) per share for profit/(loss) from continuing and discontinued operations attributable to the equity holders of the Company		
– basic	0.57	(0.30)
– diluted	0.55	(0.30)

The calculations were based on the following information.

	£'000	£'000
Earnings attributable to equity holders of the Company		
– continuing operations	239	72
– discontinued operation	(38)	(171)
– continuing and discontinued operations	201	(99)
Weighted average number of shares in issue		
– basic	35,017,815	33,608,682
– diluted	36,428,071	33,608,682

Notes to the Condensed Consolidated Interim Financial Information (continued)

9. Reconciliation of Profit/(Loss) for the Period to Net Cash Used in Operating Activities

	2007 £'000	Six months ended 30 June		2006 IFRS £'000
		2006 UK GAAP £'000	IFRS Adjustments £'000	
Profit for period from continuing operations	127	203	(142)	61
Adjustments for:				
Depreciation of property, plant and equipment	12	140	(14)	126
Intangible assets written off	135	—	—	—
(Gain)/loss on sale of property, plant and equipment	(82)	(111)	156	45
Gain on sale of shares in subsidiary	(1,568)	—	—	—
Gain on listing of subsidiary	—	(1,345)	—	(1,345)
Equity settled share-based payment transactions	62	—	—	—
Net finance (income)/expense	(32)	(56)	7	(49)
Operating cash flows before movements in working capital	(1,346)	(1,169)	7	(1,162)
Change in trade and other receivables	158	87	—	87
Change in trade and other payables	99	(118)	—	(118)
Change in provisions	—	(161)	—	(161)
Cash outflow generated by operations	(1,089)	(1,361)	7	(1,354)
Interest paid	(3)	—	—	—
Net cash used in continuing operating activities	(1,092)	(1,361)	7	(1,354)
Loss for period from discontinued operation	(38)	(387)	216	(171)
Adjustments for:				
Depreciation of property, plant and equipment	—	27	(27)	—
Loss on sale of discontinued operation, net of tax	—	923	(189)	734
Net finance expense	38	66	—	66
Operating cash flows before movements in working capital	—	629	—	629
Change in trade and other receivables	—	(215)	—	(215)
Change in trade and other payables	—	185	—	185
Change in provisions	—	30	—	30
Cash outflow generated by operations	—	629	—	629
Interest paid	—	(30)	—	(30)
Net cash from discontinued operating activities	—	599	—	599
Total net cash used in operating activities	(1,092)	(762)	7	(755)

The transition to IFRS resulted in the following changes to the adjustments within the 2006 reconciliation from the profit or loss for the period to net cash used in operating activities.

Continuing operations:

- Depreciation of £14,000 was reversed due to changes in the residual values of property and fixtures – see note 11 (f).
- The reversal of depreciation on property and fixtures of £142,000 in periods prior to the date of transition and £14,000 in the 2006 six-month period meant that there was a total change to the (gain)/loss on sale of £156,000 – see note 11 (f).
- Foreign exchange losses of £7,000 on cash and cash equivalents was added to the finance expense and shown separately on the face of the statement of cash flows.

Discontinued operation:

- Depreciation of £27,000 was reversed on a disposal group for a discontinued operation– see note 11 (b).
- The loss on sale of a disposal group was decreased by £189,000 – see note 11 (b).

10. Related Party Transactions

Directors

During 2005 and 2006 Executive Directors, SE Remp and SR Bertram, voluntarily waived contractual salary and pension contributions totalling £357,000. In addition Executive Directors deferred, pending re-financing of the Company, a total of £631,000 of remuneration over the 30 months to 30 June, 2007 as summarised below.

	As at 30 June	
	2007	2006
	£'000	£'000
S E Remp	445	361
S R Bertram	170	147
C G Moar	16	—
	631	508

No guarantees have been given by the Company and no interest is charged on the outstanding balances. The Directors concerned have agreed to use the net sums due to them, after tax and National Insurance, to purchase new shares in the Company. It is intended that the deferred sums will be settled within twelve months of the reporting date.

Associate

During the half-year to 30 June 2007 the Group made payments for administrative expenses on behalf of its associate company Mesopotamia Petroleum Company Limited ("MPC") of £9,000. This balance is owed by MPC to the Group as at 30 June 2007. 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.

11. Explanation of Transition to IFRS

The Group is presenting its results under IFRS for the first time in this interim financial information, with a date of transition of 1 January 2006. The following reconciliations and explanatory information describe the adjustments made to the equity and profit or loss of the comparable interim and full year periods on transition to IFRS. Explanatory narrative information for reconciling items (a) to (h) is given immediately after the reconciliations.

Reconciliation of Opening Consolidated Balance Sheet at Date of Transition on 1 January 2006

	UK GAAP	IAS 16 IFRS 5 Disposal groups (b)	Property, plant & equipment (c)	IFRS 7 Financial instruments (g)	Current / non-current (h)	Total IFRS adjustments	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Non-current assets							
Intangible exploration/appraisal assets	6,278	—	—	—	—	—	6,278
Property, plant & equipment – development/producing assets	9,893	(9,893)	—	—	—	(9,893)	—
Property, plant & equipment – other	1,674	—	142	—	—	142	1,816
	17,845	(9,893)	142	—	—	(9,751)	8,094
Current assets							
Financial asset – Bank guarantee	—	—	—	33,836	—	33,836	33,836
Trade and other receivables	1,648	(955)	—	—	—	(955)	693
Cash and cash equivalents	4,799	(516)	—	—	—	(516)	4,283
Assets classified as held for sale	—	11,148	—	—	—	11,148	11,148
	6,447	9,677	—	33,836	—	43,513	49,960
Total assets	24,292	(216)	142	33,836	—	33,762	58,054
Liabilities							
Current liabilities							
Derivative financial liability	—	—	—	(33,836)	—	(33,836)	(33,836)
Trade and other payables	(3,417)	619	—	—	—	619	(2,798)
Loans and borrowings	(8,201)	5,332	—	—	—	5,332	(2,869)
Provisions	—	—	—	—	(168)	(168)	(168)
Liabilities classified as held for sale	—	(11,148)	—	—	—	(11,148)	(11,148)
	(11,618)	(5,197)	—	(33,836)	(168)	(39,201)	(50,819)
Non-current liabilities							
Long-term provisions	(5,385)	5,197	—	—	168	5,365	(20)
	(5,385)	5,197	—	—	168	5,365	(20)
Total liabilities	(17,003)	—	—	(33,836)	—	(33,836)	(50,839)
Net assets	7,289	(216)	142	—	—	(74)	7,215
Equity							
Share capital	3,314	—	—	—	—	—	3,314
Share premium	69,294	—	—	—	—	—	69,294
Retained earnings	(65,319)	(216)	142	—	—	(74)	(65,393)
Total equity	7,289	(216)	142	—	—	(74)	7,215

There were no IFRS adjustments to the consolidated balance sheet as at 31 December 2006.

Notes to the Condensed Consolidated Interim Financial Information (continued)

11. Explanation of Transition to IFRS (continued)

Reconciliation of Consolidated Income Statement for the Year to 31 December 2006

	UK GAAP £'000	Required IFRS adjustments			Choices made under IFRS			Total IFRS adjustments £'000	IFRS £'000
		IFRS 5 Discontinued operations (a) £'000	IFRS 5 Disposal groups (b) £'000	IAS 16 Property, plant & equipment (c) £'000	Exceptional items geography (d) £'000	FX on cash or trading (e) £'000	Subsidiary overheads (f) £'000		
Continuing operations									
Revenue	986	(986)	—	—	—	—	—	(986)	—
Cost of sales	(1,943)	337	27	—	—	—	1,501	1,865	(78)
Write off of intangible exploration assets	(3,950)	—	—	—	—	—	—	—	(3,950)
Gross loss	(4,907)	(649)	27	—	—	—	1,501	879	(4,028)
Operating expenses	(1,130)	—	—	(142)	—	(24)	(1,501)	(1,667)	(2,797)
Foreign exchange	(73)	6	—	—	—	67	—	73	—
Gain on listing of subsidiary	—	—	—	—	1,345	—	—	1,345	1,345
Operating loss	(6,110)	(643)	27	(142)	1,345	43	—	630	(5,480)
Exceptional items	422	734	189	—	(1,345)	—	—	(422)	—
Finance income	113	—	—	—	—	—	—	—	113
Finance expense	(104)	102	—	—	—	(43)	—	59	(45)
Loss before taxation	(5,679)	193	216	(142)	—	—	—	267	(5,412)
Taxation	(74)	74	—	—	—	—	—	74	—
Loss from continuing operations	(5,753)	267	216	(142)	—	—	—	341	(5,412)
Discontinued operation									
Loss from discontinued operation (net of tax)	—	(267)	—	—	—	—	—	(267)	(267)
Loss for the year	(5,753)	—	216	(142)	—	—	—	74	(5,679)
Attributable to:									
Equity holders of the group	(5,702)	—	216	(142)	—	—	—	74	(5,628)
Minority interests	(51)	—	—	—	—	—	—	—	(51)
Loss for the year	(5,753)	—	216	(142)	—	—	—	74	(5,679)
Loss per share									
Basic and fully diluted	(16.6)p							0.2p	(16.4)p
Continuing operations									
Loss per share									
Basic and fully diluted	(15.2)p							(0.4)p	(15.6)p

Reconciliation of Consolidated Balance Sheet as at 30 June 2006

The only IFRS adjustment to the consolidated balance sheet as at 30 June 2006 was a reclassification of the provision (£26,000) into its current (£19,000) and non-current portions (£7,000).

Reconciliation of Consolidated Income Statement for the Six Months to 30 June 2006

	UK GAAP Restated £'000	Required IFRS adjustments			Choices made under IFRS			Total IFRS adjustments £'000	IFRS £'000
		IFRS 5 Discontinued operations (a) £'000	IFRS 5 Disposal groups (b) £'000	IAS 16 Property, plant & equipment (c) £'000	Exceptional items geography (d) £'000	FX on cash or trading (e) £'000	Subsidiary overheads (f) £'000		
Continuing operations									
Revenue	986	(986)	—	—	—	—	—	(986)	—
Cost of sales	(1,241)	351	27	—	—	—	854	1,232	(9)
Gross loss	(255)	(635)	27	—	—	—	854	246	(9)
Operating expenses	(326)	—	—	(142)	—	(2)	(854)	(998)	(1,324)
Foreign exchange	(15)	6	—	—	—	9	—	15	—
Gain on listing of subsidiary	—	—	—	—	1,345	—	—	1,345	1,345
Operating (loss)/profit	(596)	(629)	27	(142)	1,345	7	—	608	12
Exceptional items	422	734	189	—	(1,345)	—	—	(422)	—
Finance income	57	—	—	—	—	—	—	—	57
Finance expense	(67)	66	—	—	—	(7)	—	59	(8)
(Loss)/profit before taxation	(184)	171	216	(142)	—	—	—	245	61
Taxation	—	—	—	—	—	—	—	—	—
(Loss)/profit from continuing operations	(184)	171	216	(142)	—	—	—	245	61
Discontinued operation									
Loss from discontinued operation (net of tax)	—	(171)	—	—	—	—	—	(171)	(171)
Loss for the financial period	(184)	—	216	(142)	—	—	—	74	(110)
Attributable to:									
Equity holders of the group	(173)	—	216	(142)	—	—	—	74	(99)
Minority interests	(11)	—	—	—	—	—	—	—	(11)
Loss for the financial period	(184)	—	216	(142)	—	—	—	74	(110)
Loss per share									
Basic and fully diluted	(0.5)p							0.2p	(0.3)p
Continuing operations									
(Loss)/earnings per share									
Basic and fully diluted	(0.0)p							0.2p	0.2p

(a) IFRS 5: Presentation of discontinued operations

Discontinued operations are presented as a single line in the income statement, representing the total of the post-tax profit or loss for the period and any post-tax gains or losses recognised on measurement or remeasurement to fair value less costs to sell. This amount is analysed in the notes into revenue, expenses, pre-tax profit, related tax expense, gains or losses on measurement or remeasurement to fair value less costs to sell and the related tax expense. Turnover and costs in the consolidated income statement now only relate to continuing operations. The rationale for this change in presentation is to make the income statement figures more useful as a base for predicting future results.

(b) IFRS 5: Disposal groups classified as held for sale

At the date of transition the subsidiary Ramco Celtic Sea Limited ("RCSL") met the definition of a disposal group held for sale because it was available for immediate sale and the actual sale occurred within 12 months of that date. On 2 February 2006 the Company concluded the sale of RCSL, which held its 86.5% interest in the Seven Heads gas field, for £5.3 million, net of expense, to Marathon International Petroleum Hibernia Limited.

Disposal groups are presented separately on the face of the balance sheet. The assets and liabilities of a disposal group are reclassified separately as line items separate from, but within, current assets and liabilities. A disposal group that is held for sale is measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell is greater than the disposal group's carrying value then no further adjustment is made. However, the proceeds from the sale of RCSL went straight to lender as part of the waiver agreement. In substance the fair value less costs to sell was zero at 1/1/2006. At this time the carrying amount of RCSL was £216,000. Therefore, the RCSL disposal group was impaired by £216,000 so that the assets held for sale were the same magnitude as the liabilities held for sale. This resulted in a debit to retained earnings at the date of transition to IFRS and a corresponding reduction in the loss on sale in the 2006 consolidated income statement for the same amount.

Disposal groups that are classified as held for sale are not depreciated. Therefore, the depreciation of £27,000 charged to costs of sale during 2006 on the Seven Heads asset was reversed in the 2006 consolidated income statement. The impact of this was to increase the loss on disposal by £27,000.

The overall change to the loss on disposal was a decrease of £189,000.

As the sale of RCSL occurred in February 2006, it also affected the interim consolidated income statement for the six-month period to June 2006.

Notes to the Condensed Consolidated Interim Financial Information (continued)

11. Explanation of Transition to IFRS (continued)

(c) International Accounting Standard ("IAS") 16: Property, plant and equipment

IAS 16 requires the residual values and depreciation assumptions of property, plant and equipment to be reviewed at each reporting date rather than just at the purchase date. This is in line with IFRS's intention to align carrying amounts in financial statements to their fair value.

The residual value of the Queen's Road offices as at 1 January 2006 can be reliably estimated as the actual proceeds of sale of £1.5 million in June 2006, less the selling costs of £33,000. The effect of adjusting the residual value on the date of transition is given in the table below.

	£'000
UK GAAP – residual value assessed as nil	
Cost as at 1 January 2006	1,518
Accumulated depreciation as at 1 January 2006	(121)
Depreciation during 2006	(14)
Net book value on disposal	1,383
Net selling price in June 2006	(1,467)
Gain on disposal	(84)
IFRS – residual value assessed as £1,467,000	
Cost as at 1 January 2006	1,518
Accumulated depreciation as at 1 January 2006	(4)
Depreciation during 2006	—
Net book value on disposal	1,514
Net selling price in June 2006	(1,467)
Loss on disposal	47
Impact of transition to IFRS	
Adjustment to opening accumulated depreciation as at 1 January 2006	117
Change to depreciation in 2006 income statement	14
Total change to depreciation and gain/loss on disposal	131

The Queen's Road offices held fixtures with purchase costs of £25,000, all of which were fully depreciated as at 1 January 2006. These fixtures were sold during 2006 for gross proceeds of £59,000. The residual value was above cost so, under IAS 16, no depreciation should have been charged. Adding this to the £117,000 from the offices, the total impact of IAS 16 on opening reserves at the date of transition is a credit of £142,000. As both depreciation and gain or loss on sale of property, plant and equipment are in the same income statement caption; there is a corresponding increase in the 2006 administrative costs of £142,000. As the sale was concluded in June 2006, the adjustment of £142,000 appears as an IFRS adjustment in both the full year and interim income statements.

The total change to the gain/loss on disposal of the property and fixtures in the 2006 interim period is £156,000.

	£
Movement in gain/loss for property	131,000
Movement in gain/loss for fixtures	25,000
	156,000

The same residual values for the Queen's Road offices and the fixtures have been applied to the June 2005 consolidated balance sheet, resulting in a credit to opening reserves of £128,000. This reflects the change to depreciation due to IFRS of £14,000 in the second half of 2005.

(d) Disclosure of exceptional items

IFRS does not recognise the concept of "extraordinary" items. However, when items of income and expense are material, IFRS does require their nature and amount to be disclosed separately on the face of the income statement. Therefore, the line for exceptional items in the profit and loss account has been removed and replaced with descriptions of individually material items in the income statement. Furthermore, the material items in the income statement are now all above the line for operating profit or loss.

(e) Foreign exchange differences

In recent years the effect of foreign exchange differences has not been material so the line for foreign exchange differences has been removed from the face of the IFRS income statement. The foreign exchange loss on trading balances has been moved to "Operating expenses" and the foreign exchange loss on cash or cash equivalents has been moved to "Finance expense".

(f) Subsidiary overheads

Though not required under IFRS reporting, the Group has chosen to use the transition to IFRS to change the presentation of overheads from Group subsidiary companies. Prior to transition these costs were included within costs of sales so that the administrative costs shown in the consolidated accounts were exclusively those of the parent Company. Given the reduced level of revenue in recent years, the Group has decided that it is now more relevant to present these costs below the "Gross profit/(loss)" line and have, therefore, included them within "Operating expenses".

(g) IFRS 7: Financial instruments

At the date of transition the fair value of derivative financial instruments was a liability of £33.8 million on the gas price hedges linked to the Seven Heads gas field. The hedges covered a three year period from January 2004 to December 2006, making the entire liability current as at 1 January 2006. The fair value was determined using the forward price curves available from the International Petroleum Exchange, which is the market on which gas contracts are traded, and was discounted at a rate of 7 per cent; being the rate at which the Group could have obtained borrowings at 1 January 2006. The Group was unable to meet the fixed obligations of these hedges. However, they were guaranteed by the Group's bankers. A current financial asset, also for £33.8 million, was recognised to reflect the guarantee. The hedges were closed out during 2006, with no net effect on the consolidated income statement.

The fair value of the gas price hedges as at 30 June 2005 was a liability of £25.6 million, of which £16.4 million was current. A derivative financial liability and bank guarantee financial asset were recognised in the consolidated balance sheet as at 30 June 2005. Again, there was no net effect on the 2006 interim consolidated income statement.

(h) Current and non-current classification

IFRS requires the current and non-current portions of assets and liabilities to be shown separately on the face of the balance sheet. Consequently, the current portions of provisions were reclassified on the IFRS consolidated balance sheets at the dates given in the reconciliations.



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