

Ramco Energy plc

Annual Report &
Financial Statements 2007



**THE
ENERGY
INVESTMENT
COMPANY**

Ramco Energy

RENEWABLES

OIL AND GAS

88%

SeaEnergy
RENEWABLES

A MARINE RENEWABLES DEVELOPMENT COMPANY

...100%

Ramco Oil & Gas

MONTENEGRO • BULGARIA • AZERBAIJAN

...100%

EAGLE
HYDROCARBONS

...38.9%

Lansdowne
oil & gas

...32.7%

MESOPOTAMIA
PETROLEUM COMPANY

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RAMCO ENERGY –

THE ENERGY INVESTMENT COMPANY

dual focus on oil and gas and renewable energy

- **Lansdowne Oil & Gas** – spun off from Ramco in 2006 focusing on Ireland; considerable progress has already been made with new licence awards and its first acquisition last December of Milesian Oil & Gas, further widening its portfolio.
- **North Sea** – through the acquisition in May 2008 of Eagle HC, Ramco gained its first exposure to North Sea exploration acreage. The portfolio of nine royalties includes the 21/8-3 well, announced as a discovery in late 2007 by Lundin, in UKCS Block 21/8. A further well is currently drilling on that acreage.
- **Mesopotamia Petroleum Company** – focusing on oil service opportunities in Iraq, an area which will undoubtedly be one of the major growth stories as the country opens up to western technology.
- **SeaEnergy Renewables** – created to exploit global opportunities for large-scale offshore wind farm development, securing the only team in the world with a deepwater offshore wind farm track record.

“My vision is that Ramco will be a player in both renewable energy and in Iraq and I will do my utmost to make that happen. For just one of these initiatives to emerge as a success would be a notable achievement in itself.”

Stephen Remp
Chairman

Chairman's Statement

Dear Shareholder,

The past year has been invigorating, focusing as we have for the first time in several years, on new activities rather than past problems. Having successfully managed our way through the twin, potentially terminal, threats of a failed gas project and seven long years of US litigation, which we eventually won last year, we are now ready to put our heads above the parapet and update shareholders with the status of our various initiatives and hard work which the team has been focusing on to re-build the Company. The foundations for the re-building process started well before we had actually resolved all of the past difficulties.

Ramco did not become the largest company on AIM in the late 1990's without an extremely able and dedicated team of people. Those key individuals involved in the Company's past successes are still with Ramco and retain their enthusiasm and commitment to the future of the Company and each other.

At the peak of our success we were effectively a very successful **energy investment company** and acted as a catalyst to the opening of the Caspian to western investment. In retrospect we were largely unsuccessful in the exploration and production ("E&P") efforts which followed. We have to recognise that we cannot play catch-up with the E&P successes of Tullow, Cairn, Heritage, Dana and others. I take my hat off to their huge and impressive achievements.

Our strategy is now to return to our roots and concentrate on what we do well. Our strategy is to establish ourselves as an **energy investment company** focused on initiating and maturing oil and gas ventures and now marine renewables, through SeaEnergy.

Integral to this new strategy has been the recent corporate activity and initiatives which we have undertaken. The Board is delighted to have recently completed the acquisition of Eagle HC, giving Ramco its first exposure to the North Sea outside of our past service activity. I am particularly excited to have formed SeaEnergy Renewables and secured the only team in the world with a deepwater offshore wind farm track record. The future of wind power will increasingly be both offshore and in deeper water. We are working hard to advance our position in Iraq, but as I said when we embarked on that adventure, the political situation remains uncertain and this may not be a short term process.

Nothing stays the same and so part of the re-birth is a new logo which I believe more accurately reflects our new direction and purpose and description of how we are positioning ourselves: **Ramco Energy – The Energy Investment Company**.

Financial Highlights

The full year Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time.

Consolidated Group turnover for 2007 was £nil (2006 £nil). This reflects the sale of the Group's only producing asset, its interest in the Seven Heads gas field, in February 2006. Under IFRS this business, including its turnover of £1.0 million, has been presented as a discontinued operation in the 2006 comparative figures.

A profit attributable to ordinary shareholders for the financial year, of £0.5 million was achieved in 2007 compared with a loss of £5.7 million in 2006. This profit has predominantly arisen from transactions in the shares of Lansdowne. The Group recorded a gain on the sale of shares in Lansdowne of £1.6 million in 2007 (2006 £nil). The Group also recorded a gain of £2.3 million (2006: £nil) on a deemed disposal, when its holding in Lansdowne was further diluted by an issue of new shares by Lansdowne.

Gross loss fell from £4.0 million in 2006 to £1.0 million in 2007, reflecting the reduced level of expenditure written off in respect of intangible exploration assets. The gross loss for the year includes expenditure written off in relation to Montenegro of £0.8 million (2006 £4.0 million).

The Directors do not recommend the payment of a dividend (2006: £nil).

The Group's net cash flow from continuing operating activities was an outflow of £2.7 million for 2007 and an outflow of £3.1 million for 2006.

Net cash from investing activities was £2.3 million (2006 £0.6 million), including £2.6 million (2006 £nil) relating to the sale of shares in Lansdowne.

Total cash inflows from financing activities in 2007 were £0.4 million, compared to a net outflow of £0.8 million in 2006. Proceeds from the issue of new share capital in 2007 were £0.4 million (2006 £0.3 million).

Ireland

In April 2006, through the AIM flotation of Lansdowne Oil & Gas plc ("Lansdowne"), we started the process of spinning off our remaining Irish exploration assets. I am pleased with the progress that Lansdowne has made; new exploration licences have been awarded to Lansdowne and it has widened its portfolio through the acquisition of Milesian Oil & Gas Limited ("Milesian"), completed at the end of 2007.

That transaction, and the recent placing of new shares announced by Lansdowne, has seen our holding fall to 39%. We no longer have a controlling interest and consequently the accounts of Lansdowne are not consolidated, but instead we include our share of its results as an associated company.

Lansdowne has also recently completed a seismic acquisition programme in the Celtic Sea. The programme was completed ahead of schedule and under budget. I would be delighted if the outcome of that programme results in further dilution to our holding through the need to issue additional new shares in Lansdowne as a part of the deferred consideration for the Milesian acquisition. For that situation to occur the seismic over the Milesian acreage needs to support best case potentially recoverable prospective resources of at least 63 MMBOE.

Lansdowne is working towards a multi-well drilling programme in the Celtic Sea and the recently announced farm-in option granted over a part of its Middleton/East Kinsale licence is a step in that direction. The proximity to existing infrastructure and favourable market and fiscal terms in Ireland further enhances its prospects.

I am in no doubt that if Lansdowne's reserves potential was situated in the North Sea rather than the Celtic Sea, it would command a significantly higher valuation than it does currently. As further progress is made we expect that gap to close.

North Sea

In May 2008, the Company acquired Eagle HC Limited for an initial consideration of £1.25 million, of which £250,000 was satisfied by the issue of 943,396 ordinary shares in Ramco, with the balance being satisfied by the issue of further ordinary shares in Ramco at a value equal to the average closing mid-market price for the nine business days following this announcement.

Further consideration of £0.5 million became payable by Ramco 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 Ramco were issued on 24 June 2008. A further £0.5 million becomes payable when cash flow from the royalty portfolio commences. All such contingent consideration can be settled at Ramco's option, either in cash or through the issue of new shares in Ramco at the average closing mid-market price for the 15 business days immediately prior to the issue of the shares.

This acquisition has, through its royalty portfolio, given Ramco its first exposure to the upside of the North Sea at a modest cost and no requirement to fund ongoing activity. The portfolio of nine royalties includes a royalty over UKCS block 21/8 within which the 21/8-3 well was, in late 2007, announced as a discovery by Lundin, the operator of that licence. A further well was spudded on 20 June this year and a positive outcome will further enhance the value of our royalty portfolio.

Iraq

There has been much speculation about our desire to enter Iraq. We decided early on against competing head on with the more than 100 big international oil companies all positioning for the much publicised short-term lifting contracts which the Ministry of Oil has announced in the absence of ratified oil and gas legislation. Our strategy in forming Mesopotamia Petroleum Company ("MPC") has been to focus on oil service opportunities where Ramco and its co-founder in MPC have extensive experience.

JPMorgan Cazenove Limited has been engaged by MPC to assist in raising its future funding requirements, as and when needed.

Montenegro

Since my last statement we have made no further progress in our joint ventures with Montenegrin company JugoPetrol Kotor ("JPK") and its parent Hellenic Petroleum ("Hellenic"). The Government of Montenegro has not reversed its unilateral decision to terminate JPK's concession over the Ulcinj area (Block 3) and, together with

JPK and Hellenic, we have reserved our position on the validity of that decision.

While JPK's concession with respect to the Prevlaka area (Blocks 1 and 2) in which we hold a 40% interest, has not been formally terminated, the Government has, to date, failed to consider JPK's amended exploration programme. In this case we have also joined with JPK and Hellenic in reserving our position on the Government's action and inaction. Against that background we have decided that it is imprudent to continue to carry any costs with respect to Prevlaka and £803,000 of past costs has been expensed in 2007. We are therefore carrying no costs on Montenegro into 2008.

Montenegro, given its position in the heart of Europe combined with huge oil and gas potential, had the possibility to be the follow-on to Azerbaijan for Ramco but the difficulties we have encountered there have frustrated the realisation of that potential. Nevertheless I would very much like to see us active again in offshore Montenegro which we know extremely well.

Azerbaijan

Shareholders who have been with us since the heady days of 1992 may recall that in that year Ramco submitted a feasibility study for the development of the Guneshli Field in the Azerbaijan sector of the Caspian Sea. Later that year, in collaboration with Pennzoil, Ramco committed to the construction of a gas compression facility offshore Baku which would allow Azerbaijan, for the first time, to use its own gas production for

domestic use. This was one of the first major Western funded infrastructure projects in the region. The plan agreed with Azerbaijan was that the cost of construction and commissioning (which exceeded \$150 million) would be recovered out of the production from a development project on the Guneshli Field which Pennzoil and Ramco would undertake.

The Azerbaijan government decided to unitise the deepwater section of Guneshli with two adjacent fields thus depriving Pennzoil and Ramco of a significant opportunity to recover the expenditure already incurred on the gas compression station. In 1994 Pennzoil and Ramco however negotiated a means of recovering costs expended on the gas compression project, including the right to participate in any major project on the shallow water section of Guneshli ("SWG") in priority to any other foreign company. Pennzoil later negotiated a separate agreement with the State Oil Company of the Azerbaijan Republic ("SOCAR") under which Pennzoil relinquished its rights under the earlier agreement while preserving Ramco's right.

Between 1997 and 1999 Ramco pursued a collaboration with Conoco, which was negotiating with SOCAR, to undertake a development of SWG. Ramco's rights under the 1994 agreement were recognised in this collaboration. In 1999 when Conoco withdrew from negotiations, a similar collaboration followed with Total which expired in 2001.

Since 2001 Ramco has continued to assert its interest in the development of SWG and has annually reminded

SOCAR of its rights under the 1994 agreement. This area is once again on Ramco's agenda following the announcement by SOCAR in 2007 of initiatives to develop SWG involving foreign companies, which is one of the trigger conditions for our rights under the 1994 agreement. The other is a minimum capital amount which SOCAR's plan meets. The Company wrote to SOCAR formally asserting Ramco's rights and, in the absence of an appropriate response, warned SOCAR that we would have no alternative but to resort to arbitration under the 1994 agreement.

SOCAR has failed to provide any substantive response and on 13 June 2008 Ramco filed, with the Stockholm Chamber of Commerce, a request for arbitration under the UNCITRAL arbitration rules. All costs in connection with the SWG project and legal fees incurred to 31 December 2007 have been expensed at that date.

I regret very much that it has been necessary to resort to a formal legal process when we would much prefer the negotiation of an amicable solution. Ramco played a pivotal role in representing Azerbaijan to western oil majors in 1990 which led to the formation of the Azerbaijan International Operating Company (AIOC) and development of the super giant ACG field. Our rights in SWG flow from that very early stage in Azerbaijan's development.

Renewables

One of the most potentially exciting initiatives is our recently announced marine renewables venture, SeaEnergy.

This venture had its genesis in my long-term friendship with Joel Staadecker and our mutual interest in the future direction of marine renewables technology. When my Ramco Board colleagues and I recognised how well marine renewables would fit within the dual focus of Ramco as an **energy investment company**, we decided to join forces with the team which had built and installed the two largest offshore wind turbines in the world in the Moray Firth in north-east Scotland and SeaEnergy Renewables was founded!

The global wind industry is thought to be growing currently at a compound annual growth rate of between 10 and 15 per cent. More importantly, new, EU mandated, renewable energy supply targets have recently been established which in the UK, is thought to represent approximately 33 gigawatts of new capacity and approximately £80 billion in project development costs. If these targets are to be met, much of this renewable energy supply will almost certainly have to come from offshore wind farm developments.

There are undoubtedly significant challenges to overcome but SeaEnergy aims to be a part of that process. It has secured the world's only project development team with experience in developing deepwater offshore wind turbines. The SeaEnergy team most recently completed the Beatrice Wind Farm development for Talisman Energy and Scottish and Southern Energy.

The world's first deepwater wind turbines, the Beatrice project involved the installation of the two largest wind turbines ever deployed in offshore waters (5MW each).

SeaEnergy aims to develop, own and operate large-scale offshore wind farms globally and is currently focused on securing leases on which to develop several large-scale wind farms in UK waters. These leases will be granted as a part of the recently announced UK Crown Estate round three leasing programme and in the separate process for Scottish territorial waters. SeaEnergy is currently working on its applications for sites in these areas and expects that the awards will take place before year-end 2008.

This is a business which we at Ramco understand well because much of the technology involved in the turbine sub-structure, offshore installation and maintenance comes from the offshore oil and gas industry where Ramco excelled for many years.

Outlook

The past few years have been extremely challenging for shareholders and employees alike. Nevertheless we have maintained a loyal and dedicated group of shareholders who refused to give up and urged us on. My thanks go to them for that support. No one wants to see them rewarded more than I do.

It's been frustrating not being able to share with shareholders our efforts and progress at laying the foundations for our planned recovery and turnaround. It was best to keep our powder dry until we had achieved material results.

I believe that there is an outstanding future for SeaEnergy in the year ahead. I took the view several years ago as we began to chart the course for our comeback, that the two most significant energy stories of the next two or three decades would be the global growth in renewable energy and the opening of Iraq to western technology, a country with possibly the largest oil reserves in the world and yet significantly under-explored. The potential impact of state of the art technology on both renewables and Iraq is huge. My vision is that Ramco will be a player in both and I will do my utmost to make that happen. For just one of these initiatives to emerge as a success would be a notable achievement on its own.

We are also looking for new exploration opportunities elsewhere and have recently engaged Exploration Geosciences Limited as our technical advisors to assist that process.

This is an exciting time for the Company. We have a sound and dynamic strategy. We have the team in place which has done it before, and we have the projects and initiatives in place which we believe will deliver the results over time.



Stephen Remp
Chairman

Oil and Gas Interests

As at 30 June 2008

The Group had the following interests in Licences and Royalties:

Royalties

Country	Licence	On/offshore	Operator	Blocks	Interest
UK	P 1089	Offshore	Oilexco	14/28a & 14/29b	0.54%
UK	P 1107	Offshore	Lundin	21/8	0.54%
UK	P 1109	Offshore	Lundin	21/14 & 21/15b	0.54%
UK	P 1125	Offshore	Lundin	30/23a,30/27a, & 30/28	0.54%
UK	P 1129	Offshore	Lundin	41/5 & 41/10a	0.54%
UK	P 1295	Offshore	Oilexco	14/23b	0.54%
UK	P 1301	Offshore	Lundin	12/17b	1.33%
UK	P 1397	Offshore	Endeavour	12/23a	1.33%
UK	P 233	Offshore	Petro-Canada	15/18a	0.25%*
Bulgaria	A-Lovech	Onshore	Direct Petroleum		0.10%

* 1% royalty granted by holders of a 25% interest in the licence.

Licences

Country	Licence	On/offshore	Operator	Interest	Note
Montenegro	Prevlaka	Both	Ramco	40%	(1)
Montenegro	Ulcinj	Both	Ramco	40%	(2)

Notes

(1) Prevlaka

The current licence expired on 31 March 2007. Ramco and its partners have applied for an extension, past exploration costs have been written off (see note 4)

(2) Ulcinj

The Government of Montenegro has terminated the concession over the Ulcinj block and past exploration costs have been written off (see note 4). The Group and its partners are disputing the validity of this unilateral decision.

Interest in licences held through the Company's 38.9% holding in Lansdowne Oil & Gas plc

Country	Licence	On/offshore	Operator	Interest
Ireland	Rosscarbery Exploration Licence	Offshore	Lansdowne	99%
Ireland	Midleton/East Kinsale Exploration Licence	Offshore	Lansdowne	100%
Ireland	Amergin Exploration Licence	Offshore	Lansdowne	100%

Financial Review

Description of Business

Ramco Energy plc, a Scottish public limited company, and its subsidiaries form an energy group. The Group is currently exploring for, and appraising, oil and gas reserves in Ireland and eastern Europe, it holds a portfolio of royalty interests primarily in the North Sea and has established a subsidiary which aims to pursue renewable energy developments. The Chairman's Statement and Report of the Director's outline the strategy for future activities.

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

This financial review is intended to assist in the understanding of the Group's results of operations for the year ended 31 December 2007 and of its financial position at that date.

The consolidated financial statements and notes included elsewhere contain additional information and should be referred to in conjunction with this review. They have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The impact of adopting IFRS is discussed in note 30. The key financial data for the last five years is summarised on page 60.

Turnover

Consolidated Group turnover for 2007 was £nil (2006 £nil). This reflects the sale of the Group's only producing asset, its interest in the Seven Heads gas field, in February 2006. Under IFRS this business, including its turnover of £1.0 million, has been presented as a discontinued operation in the 2006 comparative figures (note 21).

Gross Loss

Gross loss fell from £4.0 million in 2006 to £1.0 million in 2007, reflecting the reduced level of expenditure written off in respect of intangible exploration assets (note 4).

Operating Profit/(Loss)

The Group recorded an operating profit of £0.6 million (2006 operating loss £5.5 million). This has predominantly arisen from transactions in the shares of Lansdowne (note 22).

Total operating expenses, before material items, fell by 18% from £2.8 million in 2006 to £2.3 million in 2007. This reduction was due to lower employee costs, £1.5 million in 2007 compared with £1.8 million in 2006, and lower office overheads following the relocation at the end of 2006.

The Group recorded a gain on the sale of shares in Lansdowne of £1.6 million in 2007 (2006 £nil).

The Group recorded a gain on deemed disposal relating to its shareholding in Lansdowne of £2.3 million (2006 £nil).

Net Finance Income

Net finance income of £98,000 was recorded in 2007 (2006 £68,000). Foreign exchange gains and losses are now included in net finance income under IFRS. Finance costs were lower in 2007 mainly due to lower foreign exchange losses.

Profit/(Loss) for the Financial Year

A profit for the financial year, attributable to ordinary shareholders, of £0.5 million was recorded in 2007 compared with a loss of £5.7 million in 2006 for the reasons outlined above.

Balance Sheet

The Group and Company balance sheets as at 31 December 2007 are shown on page 23. Group net assets are £3.8 million at 31 December 2007 (2006 £2.3 million).

Intangible assets have fallen from £1.8 million in 2006 to £39,000 in 2007. Additions for the year were £0.1 million. As a result of the deemed disposal of Lansdowne Oil & Gas plc (£1.0 million) and writing off expenditure previously carried against licences in Montenegro (£0.8 million) intangibles have reduced to £39,000 at the end of 2007 (note 4).

Investments are £3.0 million at 31 December 2007 (2006 £ nil). This reflects the accounting treatment of the Group's interest in Lansdowne now being as an associated company rather than being consolidated as a subsidiary (note 6).

At 31 December 2007, the Group had cash balances of £2.1 million, compared to £2.0 million at 31 December 2006.

£1.1 million out of the total current liabilities of £1.8 million is the outstanding creditor balance on the Seven Heads project related debt due to Schlumberger. Under a deferral agreement signed in June 2005, Schlumberger irrevocably waived the right to retire the debt via a cash settlement. Instead they have the option to request Ramco Energy plc to issue new shares to them. Hence, there is no obligation for the Company to settle the debt through an outflow of resources within the next 12 months from the reporting date (see note 13).

Cash Flow from Operations

As indicated by the Consolidated Statement of Cash Flows on page 27, the Group's net cash flow from continuing operating activities was an outflow of £2.7 million for 2007 and an outflow of £3.1 million for 2006.

Cash Flows from Investing Activities

Net cash from investing activities was £2.3 million (2006 £0.6 million)

Proceeds from the sale of property plant and equipment were £0.1 million (2006 £1.6 million). 2006 cash flows included proceeds from the sale of the Queen's Road office and other associated fixed assets.

Proceeds from the sale of shares in Lansdowne in 2007 were £2.6 million (2006 £ nil).

In 2007 and 2006 the Group invested approximately £3,000 and £147,000 respectively in tangible fixed assets. Fixed asset purchases in 2006 related primarily to leasehold improvements on the Company's new registered office at Britannia House.

Capital expenditure on oil and gas exploration was approximately £127,000 during 2007 compared to £410,000 during 2006. All the expenditure in the current year was on the Lansdowne assets held in Ireland prior to the deemed disposal. The sale of the Bulgarian A-Lovech licence in 2006, raised £763,000.

Cash disposed of in 2007, on the deemed disposal of Lansdowne, was £0.4 million. In 2006 cash disposed of in respect of Seven Heads was £1.3 million.

Cash Flows from Financing Activities

Total cash inflows from financing activities in 2007 were £0.4 million, compared to a net outflow of £0.8 million in 2006.

Proceeds from the issue of new share capital in 2007 were £0.4 million (2006 £0.3 million).

In 2006 proceeds from the issue of share capital in Lansdowne to minority interests were an inflow of £1.7 million and repayment of debt in connection with the discontinued Seven Heads operation was £2.9 million.

Future Capital Requirements

Particular attention is drawn to uncertainty as to whether or not the Group can be considered a going concern as described in note 1 to the financial statements.

As described under the "Principal risks and uncertainties" section of the Report of the Directors on page 13, the funding of future capital requirements is a significant challenge for the Group.

The oil and gas projects in associated company, Lansdowne, are the most developed. Lansdowne has recently secured a farm out arrangement in respect of one of its exploration assets and is working on securing funding for work programme obligations on its other assets through farm-out arrangements or the issue of new shares or a combination of both. Lansdowne aims to have a funded drilling programme in place for 2009. The Board are confident that Lansdowne will continue to secure farm-in partners to fund its drilling programme.

The Group has a direct interest in exploration royalties in the UK North Sea and Eastern Europe. Ownership of the royalties requires no capital expenditure. One of these royalties relates to an undeveloped discovery and depending on further imminent drilling results, some of the royalties may become saleable assets in the short term or revenue generating in their own right in the medium term. There is no certainty as to the outcome of the drilling results.

The Group's interests in oil services are through our associate MPC which is in discussions aimed at establishing a joint venture with a drilling capability which, the Directors believe, would have an immediate and material effect on lifting Iraqi oil production. The political situation remains uncertain and this may not be a short term process. JPMorgan Cazenove Limited has been engaged to assist MPC in raising its future funding requirements, as and when needed.

The marine renewable energy interests are at a relatively early stage but the Group has already secured finance to employ a team with unique offshore experience. Development projects and the necessary related finance are now being vigorously pursued.

Further potential sources of funding for future capital requirements are the warrants which the Group has issued since June 2005.

Market Risks

The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates. In the normal course of business the Group also faces certain other non-financial or non-quantifiable risks. These are discussed in note 13. To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by dollar or Euro based oil and gas operations. Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the shares traded on the AIM.

The tables below set forth, for the periods and dates indicated, the exchange rate for the Dollar against the Sterling and for the Euro against Sterling.

Dollar/Sterling Exchange Rates

(Dollar per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
2003	1.79	1.64	1.79	1.57
2004	1.92	1.83	1.92	1.77
2005	1.71	1.81	1.92	1.71
2006	1.97	1.83	1.97	1.71
2007	1.99	2.01	2.08	1.96

Euro/Sterling Exchange Rates

(Euro per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
2003	1.42	1.44	1.51	1.39
2004	1.41	1.47	1.51	1.41
2005	1.45	1.46	1.48	1.45
2006	1.49	1.46	1.49	1.43
2007	1.36	1.46	1.51	1.36

(1) The average rates on the last business day of each full month during the relevant period.

Details of how the Group manages interest rate and foreign currency exchange risks are included in note 13.

Christopher G Moar

Finance Director and Company Secretary
30 June 2008

Board of Directors

Stephen Remp BA MA Hon D Tech

Executive Chairman Aged 61

Appointed August 1977. A native American, Steve came to Scotland in 1971 and in 1977 founded Ramco. Steve was educated in Europe and the US, obtaining a BA in Economics from Claremont College in California and an MA in International Economics from the School of Advanced International Studies, Johns Hopkins University, Washington DC.

Steven Bertram MA (Hons) CA Dip BA

Managing Director Aged 48

Appointed as Finance Director in 1991 and became Managing Director in June 2005. Steven joined Ramco in 1986 and, during his time as Finance Director, guided Ramco's financial affairs from its original USM listing through its international offer and listing on the American Stock Exchange in 1997 and its move to AIM. Steven has an MA Honours degree in Economics with Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1984.

Christopher Moar MA CA

Finance Director and Company Secretary Aged 45

Appointed as Finance Director in November 2006. Chris joined Ramco in 1993 and was appointed Company Secretary in December 1996. Prior to this he was a planning and financial accountant for Baker Oil Tools (United Kingdom) Limited. Chris has an MA degree in Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1987.

N Stewart Cumming

Non-Executive Director Aged 59

Appointed January 1988. Stewart joined the Ramco management team as a founder member when the Company was formed in 1977. As Managing Director of the Oil Services division, and Executive Director of Ramco, he was responsible for the management and highly successful development of the Company's Oil Services operations. Stewart led the successful Management Buy-out of the Oil Services division in December 2005, and since then he has been a Non-Executive Director. Stewart was educated at Selborne College and the Witwatersrand Technical College in South Africa.

Steven G Lampe

Non-Executive Director Aged 49

Appointed September 2007, Steven is an investment manager based in New York, USA. He is a managing member of Lampe, Conway & Co LLC, a limited liability company organised in the state of Delaware.

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Report of the Directors

The Directors submit their report and audited Group financial statements for the year ended 31 December 2007.

Principal Activities and Review of Business

The principal activities of the Group are the exploration, development and production of hydrocarbons, currently in Ireland and central and eastern Europe and renewable energy developments.

The results for the Group show a pre-tax profit of £0.5 million (2006: loss of £5.7 million) for the year and turnover of £nil (2006: £nil). As at 31 December 2007, the Group had net funds of £2.1 million (2006: net funds of £2.0 million).

Net cash outflow from operating activities for 2007 was £2.7 million (2006: net cash outflow of £2.5 million). The Directors do not recommend the payment of a dividend (2006: £nil per share).

Further details of the Group's activities during the year and its position at the year end are given in the Chairman's Statement and in the Financial Review.

Business Environment

The macro business environment for oil and gas exploration and production is very buoyant, driven by sustained high oil and gas prices and global increasing demand. This has produced a proliferation of over ninety exploration and production companies listed on the Alternative Investment Market of the London Stock Exchange. Therefore, competition for new funds is strong.

Within this competitive environment the Group has differentiated itself from its competitors by focusing on opportunities in emerging oil and gas hotspots around the world where there are high potential synergies between the access to a UK listing, backed by experienced staff, and exciting new oil and gas prospects. The Group has extensive experience in geographical areas where there has been political uncertainty ahead of stability such as the Caspian and Balkans. This type of uncertainty can provide windows of opportunity for the smaller player and aligns the Group's exposure to business risks with the experience and skill sets of its Directors.

Strategy

The Group's overriding objective is to achieve attractive and sustainable rates of growth and returns through a combination of organic growth and acquisitions. There are three key elements to the Group's current strategy. They are:

- To unlock value in its Lansdowne associate by pursuing farm-out agreements and by identifying and exploiting new exploration and appraisal opportunities in the Irish and UK Continental shelves.
- To secure near-term cash inflows through the acquisition of revenue generating operations.
- To fund acquisition growth and new development projects through a combination of new equity finance and project finance in a manner appropriate to the capital intensive nature of, and risks inherent in, the energy business.

Further detail on the strategic direction of the Group is given in the Chairman's statement on page 2.

Future Outlook

The Group's future outlook is described in the Chairman's Statement on page 2.

Post Balance Sheet Event

On 14 May 2008 the Group acquired Eagle HC Limited ("Eagle") for an initial consideration of £1.25 million to be satisfied in new shares of the Company, of which £250,000 was satisfied by the issue of 943,396 ordinary shares in the Company, with the balance being satisfied by the issue of further ordinary shares in the Company at a value equal to the average closing mid-market price for the nine business days following the announcement of the Group's results for the year ended 31 December 2007.

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. 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 at the average closing mid-market price for the 15 business days immediately prior to the issue of the shares.

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below. 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.

Funding

Exploration and appraisal of potential hydrocarbon reserves is very capital intensive. Securing an appropriate mix of debt and equity funding to advance the Group's work programs is critical to the overall success and viability of the Group.

Oil and Gas Price

The worldwide price of oil and gas directly affects the value of sales and indirectly affects production costs. It also affects the availability and price of drilling rigs, which are required to complete commitments to the work programs associated with licence applications.

Inherent Exploration Risks

The exploration for hydrocarbons has significant inherent risk associated with the discovery of commercial reserves. It is the industry norm to reduce exposure to individual plays through joint ventures.

Political Risk

Licence applications are subject to the approval of the governing authorities which have jurisdiction over the associated acreage. There is also a risk that a government could terminate a particular concession, resulting in all exploration costs incurred on that concession having no future value.

Fiscal Stability

The tax regime in the UK and in other countries in which the Group operates directly affects earnings. Any uncertainty in the stability of these regimes can dissuade potential investors or potential joint venture partners.

Key Performance Indicators ("KPIs")

Given the turnaround nature of the business during the current period, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the business at this juncture in time. However, the Directors are committed to the use of suitable performance metrics, including KPIs, once a stable platform for future growth has been established.

Employees

During the year the policy of providing employees with information about the Group has been continued and employees have also been encouraged to present their suggestions and views on the Group. Employees are encouraged directly to participate in the business through a share option scheme. Although much of the Group's work is unsuitable for disabled persons, positive efforts are made to recruit and train disabled persons when they appear suitable to a particular vacancy.

Directors

Biographies of the present Directors of the Company are listed on page 10.

In accordance with the Company's Articles of Association, SR Bertram and NS Cumming retire by rotation and being eligible offer themselves for re-election. SG Lampe, who was appointed to the Board on 20 September 2007, automatically retires, and being eligible offers himself for re-election.

Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report, included on pages 18 to 20.

Report of the Directors *continued*

Substantial Shareholders

The Directors have been notified of the following interests in 3% or more of the Company's issued share capital as at the date of this report:

Name of member	No. of shares	Per cent of capital
Directors (see page 20)	6,457,884	16.5
Artemis	3,225,000	8.2
Ruffer LLP	2,058,262	5.3
LC Capital Master Fund	1,702,380	4.3

Share Capital

Details of allotments made during the year and up until the date of this report are given in note 14.

Creditor Payment Policy

The Group's policy is to ensure settlement of supplier's services in accordance with the terms of the applicable contracts, as detailed in note 1 to the financial statements. The Company's average creditor payment period at 31 December 2007 was 19 days (2006: 64 days).

Financial Instruments

The financial risk management objectives and policies of the Group are detailed in note 13.

Charitable and Political Donations

No charitable or political donations were made, and no political expenditure was incurred, during the year or the previous year.

Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution to reappoint PricewaterhouseCoopers LLP as Auditors to the Company will be proposed at the Annual General Meeting.

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware. The Directors have taken appropriate steps to make themselves aware of relevant audit information and to establish that the Auditors are aware of that information.

AGM Business

The Annual General Meeting ("AGM") will commence at 12.30pm on 19 August 2008 at the Holiday Inn, Westhill Drive, Westhill, Aberdeenshire. In addition to the routine business of the AGM, there are four items of other Business detailed in the Notice of Meeting as Resolution numbers 6 to 9.

Resolution 6 relates to the approval and adoption of new Articles of Association.

Resolution 7 authorises the Directors to allot unissued shares in the capital of the Company.

Resolution 8 is a disapplication of the statutory pre-emption rights contained in the Companies Act 1985 and empowers the Directors to allot ordinary shares for cash in connection with rights issues and pursuant to employees' share schemes which have been approved in general meeting. It also permits the issue generally of ordinary shares having a nominal value of up to £391,000 (being 10% of the current issued share capital) thereby enabling the Directors to take advantage of opportunities as they arise. This authority will also expire at the next Annual General Meeting of the Company.

Resolution 9 is a special resolution giving the Company limited powers to purchase its own shares for cancellation.

By order of the Board,

C G Moar MA CA

Finance Director and Company Secretary

30 June 2008

Corporate Governance

Ramco, as an AIM listed Company, is not required to comply with the July 2003 Combined Code on Corporate Governance. However, the Board recognises the importance of sound corporate governance and has ensured that the Company has adopted policies and procedures which reflect such of the Principles of Good Governance and the Code of Best Practice as published by the Committee on Corporate Governance (commonly known as the "Combined Code"), as are appropriate to the Company's size.

Directors

The Board currently comprises three Executive Directors and two Non-Executive Directors. Biographies of the current Directors are presented on page 10. In the period from 14 March 2007 until 20 September 2007, there was just one Non-Executive Director. Since 20 September 2007 there have been two. Given his long history as an employee and as an Executive Director of the Company, N S Cumming is not considered to be an independent Non-Executive Director.

The Board is responsible for setting overall Group strategy, policy, monitoring Group performance and authorising significant transactions. The Board meets not less than four times a year and has adopted a schedule of matters reserved for its decision. Director's based overseas may join certain board meetings by telephone. All Directors have full and timely access to information and may take independent professional advice at the Group's expense.

Attendance Record at Meetings	2007 Eligible	2007 Attended	2006 Eligible	2006 Attended
S E Remp	8	8	19	15
S R Bertram	8	8	19	17
N S Cumming	8	8	19	17
M Hay (resigned 14/3/07)	2	2	19	19
D Paterson (resigned 9/6/06)	–	–	14	8
C G Moar (appointed 1/11/06)	8	8	1	1
S G Lampe (appointed 20/9/07)	2	1	–	–

The Board has three standing committees with terms of reference as follows:

Audit and Remuneration Committees

These committees are comprised solely of Non-Executive Directors who take no part in the discussion of their own remuneration. The operation of these committees was temporarily suspended between 14 March 2007 and 20 September 2007 when there was only one Non-Executive Director on the Board. S G Lampe joined both committees when he was appointed to the Board on 20 September 2007. Both committees are currently chaired by N S Cumming with S G Lampe as the other member.

Audit Committee

The Audit Committee determines the terms of engagement of the Company's External Auditors and determines, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Company's Auditors relating to the interim and annual accounts and the accounting and internal control systems in the Company. The Audit Committee has unrestricted access to, and oversees, the relationship with the Company's Auditors. The Audit Committee meets at least twice a year and meets with the Company's Auditors at least once a year. Executive Directors may attend by invitation.

The External Auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Audit Committee reviews the independence and objectivity of the External Auditors. The Committee reviews the nature and amount of non-audit work undertaken by PricewaterhouseCoopers LLP each year to satisfy itself that there is no effect on their independence. Details of this year's fees are given in note 16 on page 47. The Committee is satisfied that PricewaterhouseCoopers LLP are independent.

The Audit Committee monitors the performance of the External Auditors on an ongoing basis, with input from the Finance Director and other key members of the finance team. Following such an assessment, the Committee meets to discuss what actions, if any, require to be taken. The Committee also makes a recommendation to the Board on the appointment or re-appointment of the External Auditors.

The Group does not have an internal audit function but the need for such a function is reviewed periodically. It is the current view of the Board that an internal audit function is not considered appropriate given the size and nature of the operations and the Group.

Remuneration Committee

The Remuneration Committee reviews the scale and structure of the Executive Directors' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the Non-Executive Directors are set by the entire Board. No Director or manager of the Company may participate in any meeting at which discussion or any decision regarding his own remuneration takes place. The Remuneration Committee also administers any share option schemes or other employee incentive schemes adopted by the Company from time to time.

The Remuneration Report is presented on pages 18 to 20 and contains a statement of remuneration policy and details of the remuneration of each Director.

Nominations Committee

The Nominations Committee is currently chaired by N S Cumming and meets as required. The other members are S E Remp and S G Lampe.

The Committee proposes to the Board suitable candidates for appointment as Directors of the Company, and considers Board succession plans. Directors appointed by the Board in the course of the year must retire and offer themselves for reappointment at the next AGM. Names of Directors submitting themselves for reappointment at the next AGM are shown on page 13.

Risk Management and Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Management identify risks, the likelihood of those risks occurring, the impact if they do occur and the actions being taken to manage and mitigate those risks to an acceptable level.

The Board of Directors has overall responsibility for maintaining a sound system of internal financial control to safeguard shareholders' investment and the Group's assets. Such a system can provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and correctly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The system, which has been in place throughout the year and up to the date of this report, comprises the following main elements, all of which are reviewed by the Board:

- An organisation structure with clearly defined lines of responsibility and delegation of authority.
- Appointment of employees of the necessary calibre to fulfil their allotted responsibilities.
- Established procedures for budgeting and capital expenditure.
- Monthly reporting of actual performance compared to budget, reviewed by the Board quarterly.
- Rolling monthly forecasts for the financial year.
- The Group reports to shareholders on a half yearly basis to ensure timely reporting of financial results.

Investor Relations

Communications with investors are given high priority. The Company keeps its institutional shareholders up to date with its business and objectives, and obtains their views on the Company, by means of periodic presentations. Additionally the Company is ready to respond appropriately to particular issues or questions that may be raised by investors. All shareholders are sent the Annual Report and financial statements, the Interim Report and can also elect to receive all press releases, many choosing to receive this information by e-mail.

The Company has a web site, www.ramco-plc.com, which is regularly updated and contains a wide range of information about the Company including share price information, Annual Report and financial statements, and press releases. Similar information about Lansdowne and SeaEnergy can be found at www.lansdowneoilandgas.com and www.seaenergyrenewables.com.

The Board views the AGM as an opportunity to communicate with private investors and encourages them to attend. The Board aims to ensure that the Chairman of the Audit and Remuneration Committees is available to answer questions. The Executive Chairman gives a short presentation on the business and its trading position. Shareholders are invited to ask questions and are given the opportunity to meet the Directors informally following the meeting. Whenever possible, the Company complies with best practice in ensuring that the Notice of the AGM is dispatched to shareholders at least 20 working days ahead of the meeting.

Directors' Responsibilities

Company law requires the Directors to prepare the financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the profit or loss of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently. The Directors also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The maintenance and integrity of the Ramco Energy plc website is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The financial statements have 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 Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements for the reasons outlined in note 1 to the financial statements.

Remuneration Report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, except for the inclusion of a performance graph and provision of details of how remuneration packages have been benchmarked. Ramco, as an AIM company, is not required to comply with these requirements but is committed to the highest standards of Corporate Governance. This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration.

The Regulations require the Auditors to report to the Company's members on the 'auditable part' of the Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited Information Remuneration Committee

From 1 January 2007 until 14 March 2007, the members of the Remuneration Committee (The Committee) were N S Cumming and M Hay. In the period from 14 March 2007 until 20 September 2007 N S Cumming was the only member of the Committee and its operation was temporarily suspended. From 20 September 2007 until 31 December 2007 the Committee comprised N S Cumming and S G Lampe. N S Cumming is chairman of the Committee.

The Committee has followed the provisions set out in Schedules A and B of The Combined Code in preparing this report. The Committee believes that Ramco's reward structure is in accordance with those recommendations.

The Committee, which meets at least twice each year, is responsible to the Board for determining the terms and conditions of employment of the Executive Directors and their remuneration packages (including pension rights and any compensation payments) and oversees the operation of the Company's Employee Share Option Schemes.

The Committee has access to external independent professional advice, at the Company's expense, as the Committee sees fit. None of the Committee members has any personal financial interest in the matters to be decided by the Committee or any conflicts arising from cross-directorships or day-to-day involvement in the running of Ramco.

Remuneration Policy

Ramco operates in the international oil and gas industry and aims to attract, reward, motivate and retain top executives in a manner appropriate to that industry and with the objective of long term accumulation of value for shareholders. The remuneration packages currently being offered are intended to be competitive and comprise a mix of performance related and non-performance related remuneration designed to incentivise Directors, but not to detract from the goals of Corporate Governance. The packages are in line with industry norms.

Directors' Service Contracts

All the Executive Directors have service contracts with the Company with a rolling notice period of one year. The Non-Executive Directors do not have service contracts with the Company.

The remuneration of Non-Executive Directors is determined by the Board after consideration of appropriate external comparisons and the responsibilities and time involvement of individual Directors. No Director is involved in deciding his own remuneration.

Remuneration Package

Directors' remuneration packages, which are reviewed annually, consist of annual salary, performance related bonuses, health and other benefits, pension contributions and share options. During the 30 month period to 30 June 2007 two Executive Directors waived contractual salary and pension entitlements totalling £357,000. Additionally, over that same period three Executive Directors deferred further remuneration totalling £631,000. All deferred remuneration was cleared in November 2007 when the Directors concerned agreed to use the net remuneration to subscribe for new shares in the Company, and S E Remp agreed to do the same with his deferred pension contributions. The Director's subscribed for the new shares at 22.2p per share, a premium of 20 per cent. over the mid-market price of 18.5p for a Ramco share at market closing on the previous business day.

Performance related profit bonuses are payable following certification of the Group results by the Auditors for each year. A disposal bonus is payable on the after tax gain realised if all or any part of the businesses of a division is disposed of by the Group.

Director	Profit and disposal bonus
S E Remp	6.75%
S R Bertram	2.50%
C G Moar	0.75%

Audited Information

Directors' detailed emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate emoluments £'000	2007 Pension contributions £'000	2006 Pension contributions £'000	2007 Total £'000	2006 Total £'000
Executive Directors								
S E Remp	350	29	6	385	66	87	451	494
S R Bertram	179	14	1	194	27	26	221	207
C G Moar ⁽¹⁾	126	4	1	131	19	4	150	27
Non-Executive Directors								
N S Cumming ⁽²⁾	25	–	–	25	–	–	25	26
M Hay ⁽³⁾	5	–	–	5	–	–	5	25
D Paterson ⁽⁴⁾	–	–	–	–	–	–	–	11
S G Lampe ⁽⁵⁾	7	–	–	7	–	–	7	–
2007	692	47	8	747	112		859	
2006	666	–	7	673		117		790

⁽¹⁾ Appointed 1 November 2006

⁽²⁾ Following the disposal of the Oil Services division on 16 December 2005, N S Cumming became a Non-Executive Director. All fees paid to N S Cumming flow to Ramco Tubular Services Limited, a third party formerly part of the Group.

⁽³⁾ Resigned 14 March 2007

⁽⁴⁾ Resigned 9 June 2006.

⁽⁵⁾ Appointed 20 September 2007. All fees paid to S G Lampe flow to Lampe Conway & Co. LLC. S G Lampe is managing member of Lampe, Conway & Co LLC

Interests in share options

	Exercise price	At 31 Dec 2006	Granted	Cancelled/lapsed	At 31 Dec 2007 or *date of resignation	Normal exercise dates
S E Remp	675p	132,500	–	–	132,500	30/4/01 – 29/4/08
	34p	300,000	–	–	300,000	30/7/08 – 29/7/15
S R Bertram	675p	38,000	–	–	38,000	05/5/01 – 04/5/08
	347.5p	35,340	–	–	35,340	11/5/06 – 10/5/11
N S Cumming	34p	150,000	–	–	150,000	30/7/08 – 29/7/15
	675p	13,500	–	–	13,500	05/5/01 – 04/5/08
C G Moar	347.5p	30,495	–	–	30,495	11/5/06 – 10/5/11
	34p	70,000	–	–	70,000	30/7/08 – 29/7/15
M Hay	675p	5,000	–	–	5,000	30/4/01 – 29/4/08
	347.5p	28,500	–	–	28,500	11/5/06 – 10/5/11
M Hay	34p	60,000	–	–	60,000	30/7/08 – 29/7/15
	34p	70,000	–	–	70,000*	30/7/08 – 29/7/15
		933,335	–	–	933,335	

Remuneration Report *continued*

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 18 to the accounts. During 2007 the share price ranged between a high of 26p and a low of 15.5p. The quarterly highest and lowest closing share prices are detailed in note 14.

Interests in Shares

The beneficial interests of the Directors who served during the year in the ordinary shares of 10p of the Company are as follows:

	At 31 Dec 2006 or * date of appointment	At 31 Dec 2007 or * date of resignation	At 30 June 2008
S E Remp	4,256,068	5,487,668	5,487,668
S R Bertram	140,000	590,600	590,600
C G Moar	14,816	52,616	52,616
N S Cumming	327,000	327,000	327,000
M Hay	26,627	26,627*	–
S G Lampe	–*	–	–
	4,764,511	6,484,511	6,457,884

S G Lampe has a non-beneficial interest in 1,702,380 shares in Ramco, and in 5,000,000 warrants at 14p held by LC Capital Master Fund Limited ("LC"). S G Lampe is managing member of Lampe, Conway & Co LLC the investment manager of LC.

Pensions

Directors' pensions are based on salary only, with bonuses and other discretionary benefits excluded. Retirement benefits were accruing to the three Executive Directors (2006: three Directors) under the Group's defined contribution schemes.

The Chairman is a member of a non-contributory scheme where from 1 July 2007, Company contributions are at a rate of 15% (2006: 22.2%) of salary. This benefit will continue for as long as he is employed by the Group. The other Executive Directors belong to a non-contributory scheme where the Company contributes at a rate of 15% of salary.

N Stewart Cumming

Chairman, Remuneration Committee
30 June 2008

Independent Auditors' Report to the Members of Ramco Energy plc

We have audited the group and parent company financial statements (the "financial statements") of Ramco Energy plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited, at the request of the directors, the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report (because the company applies the requirements of Schedule 7A to the Companies Act 1985 as if it were a listed company).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We also, at the request of the directors, audit the part of the Directors' Remuneration Report to be audited (because the Company applies the requirements of Schedule 7A to the Companies Act 1985 as if it were a listed company). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the unaudited part of the Directors' Remuneration Report, the Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We also, at the request of the directors (because the company applies the Listing Rules of the Financial Services Authority as if it were a listed company), review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of the group's profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures set out in note 1 to the financial statements concerning the Group's ability to continue in operational existence for the foreseeable future.

The financial statements have been prepared on a going concern basis, the validity of which depends on the successful resolution of uncertainties described in note 1, which indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Should these uncertainties not be successfully resolved the going concern basis of preparation may no longer be applicable and adjustments to the Group profit and loss account and Group balance sheet may be required to record additional liabilities and write down assets to their recoverable amounts.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Aberdeen

30 June 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Assets					
Non-current assets					
Intangible exploration/appraisal assets	4	39	1,849	–	–
Property, plant and equipment	5	162	202	162	181
Investments	6	2,980	–	–	–
		3,181	2,051	162	181
Current assets					
Trade and other receivables	7	328	328	323	231
Cash and cash equivalents	8	2,068	2,027	2,052	1,053
		2,396	2,355	2,375	1,284
Total assets		5,577	4,406	2,537	1,468
Liabilities					
Current liabilities					
Trade and other payables	9	(1,788)	(1,467)	(1,794)	(1,921)
Provisions	10	(1)	(25)	(1)	(25)
		(1,789)	(1,492)	(1,795)	(1,946)
Net current assets/(liabilities)		607	863	580	(662)
Non-current liabilities					
Other non-current liabilities	11	(30)	(608)	(30)	(608)
Net assets/(liabilities)		3,758	2,306	712	(1,089)
Shareholders' equity					
Ordinary shares	14	3,689	3,502	3,689	3,502
Share premium	14	69,633	69,405	69,633	69,405
Deficit on retained earnings	15	(69,564)	(70,945)	(72,610)	(73,996)
Total equity attributable to equity holders of the parent		3,758	1,962	712	(1,089)
Minority interest in equity		–	344	–	–
Total equity		3,758	2,306	712	(1,089)

The notes on pages 28 to 59 form part of these financial statements.

These financial statements were approved by the Board of Directors on 30 June 2008.

S E Remp

Executive Chairman

C G Moar

Finance Director

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Continuing operations			
Cost of sales		(21)	(78)
Write-off of intangible exploration assets	4	(937)	(3,950)
Gross loss		(958)	(4,028)
Operating expenses		(2,301)	(2,797)
Gain on listing of subsidiary		–	1,345
Gain on sale of shares in subsidiary	22	1,568	–
Gain on deemed disposal of subsidiary arising from dilution	22	2,272	–
Operating profit/(loss)	16	581	(5,480)
Finance income	19	105	113
Finance costs	19	(7)	(45)
Finance income – net		98	68
Share of loss of associates		(77)	–
Profit/(loss) before income tax		602	(5,412)
Income tax expense		–	–
Profit/(loss) from continuing operations		602	(5,412)
Discontinued operation			
Loss from discontinued operation (net of tax)	21	(81)	(267)
Profit/(loss) for year		521	(5,679)
Attributable to:			
Equity holders of the group		720	(5,628)
Minority interests		(199)	(51)
Profit/(loss) for the year		521	(5,679)
Earnings/(loss) per share			
	3		
Basic		2.05p	(16.4)p
Diluted		1.95p	(16.4)p
Continuing operations			
Earnings/(loss) per share			
Basic		2.28p	(15.62)p
Diluted		2.17p	(15.62)p

The notes on pages 28 to 59 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

Group	Attributable to equity holders of the parent			Total equity £'000	Minority interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000			
Year ended 31 December 2006						
At 1 January 2006	3,314	69,294	(65,393)	7,215	–	7,215
Loss for the financial year	–	–	(5,628)	(5,628)	(51)	(5,679)
Share based payments charge	–	–	76	76	2	78
Issues of new shares – gross consideration	188	111	–	299	–	299
Disposal to minority interest	–	–	–	–	393	393
At 31 December 2006	3,502	69,405	(70,945)	1,962	344	2,306
Year ended 31 December 2007						
At 1 January 2007	3,502	69,405	(70,945)	1,962	344	2,306
Profit/(loss) for the financial year	–	–	720	720	(199)	521
Share based payments charge	–	–	82	82	5	87
Issues of new shares – gross consideration	187	228	–	415	–	415
Disposal to minority interest	–	–	579	579	426	1,005
Deemed disposal of subsidiary	–	–	–	–	(576)	(576)
At 31 December 2007	3,689	69,633	(69,564)	3,758	–	3,758

The notes on pages 28 to 59 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2006

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Year ended 31 December 2006				
At 1 January 2006	3,315	69,294	(70,918)	1,691
Loss for the financial year	–	–	(3,144)	(3,144)
Share based payments charge	–	–	66	66
Issues of new shares – gross consideration	187	111	–	298
At 31 December 2006	3,502	69,405	(73,996)	(1,089)
Year ended 31 December 2007				
At 1 January 2007	3,502	69,405	(73,996)	(1,089)
Profit for the financial year	–	–	714	714
Share based payments charge	–	–	94	94
Issues of new shares – gross consideration	187	228	–	415
Disposal to minority interest	–	–	578	578
At 31 December 2007	3,689	69,633	(72,610)	712

The notes on pages 28 to 59 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2007

	Note	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash flows from operating activities					
Continuing operations	23	(2,670)	(2,979)	554	(1,988)
Discontinued operation	23	–	539	–	–
Interest paid	19	(4)	(74)	(4)	(2)
Net cash (used in)/generated by operating activities		(2,674)	(2,514)	550	(1,988)
Cash flows from investing activities					
Interest received		71	95	42	45
Proceeds from sale of property, plant and equipment		102	1,567	–	1,567
Proceeds from sale of shares in subsidiary	22	2,612	–	–	–
Proceeds from sale of licence		–	763	–	–
Acquisition of intangible exploration assets		(127)	(410)	–	–
Acquisition of property, plant and equipment		(3)	(147)	(2)	(143)
Deemed disposal of subsidiary		(352)	–	–	–
Discontinued operation	21	–	(1,251)	–	–
Net cash used in investing activities		2,303	617	40	1,469
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		415	299	415	299
Issue of share capital in subsidiary to minority interests		–	1,738	–	–
Payment of finance lease liabilities		(4)	–	(4)	–
Discontinued operation	21	–	(2,869)	–	–
Net cash generated by/(used in) financing activities		411	(832)	411	299
Effect of exchange rate fluctuations on cash held		1	(43)	(2)	(38)
Net increase/(decrease) in cash and cash equivalents		41	(2,772)	999	(258)
Opening cash and cash equivalents		2,027	4,799	1,053	1,311
Closing cash and cash equivalents	8	2,068	2,027	2,052	1,053

The notes on pages 28 to 59 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. Presentation of Accounts and Accounting Policies

General information

Ramco Energy plc (the "Company"), its subsidiaries (together, the "Group") and associated companies explore for and develop oil and gas reserves, primarily in Ireland and eastern Europe, and have recently incorporated a subsidiary focused on marine renewable energy developments.

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 associate Lansdowne Oil & Gas plc ("Lansdowne"), are quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Basis of presentation

Going concern

The financial statements have 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 Directors have prepared cash flow forecasts for the Group for the period ending 12 months from the date of approval of these financial statements. These indicate that the Group will have adequate cash resources to meet its obligations, as they fall due. However, there remains uncertainty as to whether the Group can be considered a going concern in that the Group currently has no revenue streams. There is a limited amount of funding for certain projects.

Although uncertainties exist, the Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements as;

The Group has now accumulated, and continues to develop, a portfolio of energy investments which will either be developed in the medium term into revenue generating businesses or realised for cash if necessary. If the Board feels that it is appropriate, the Group may also raise new funding to support the development of this portfolio by accessing the capital markets. Further potential sources of funding are the warrants which the Group has issued since June 2005.

The portfolio includes investments in associated companies with interests in oil and gas exploration interests, investments in potentially substantial oil service businesses and marine renewable energy developments.

The oil and gas projects in associated company, Lansdowne, are the most developed projects, and the investment in that company represents the most readily realisable asset. Lansdowne has recently secured a farm out arrangement in respect of one of its exploration assets and is working on securing funding for work programme obligations on its other assets through farm-out arrangements or the issue of new shares or a combination of both. Lansdowne aims to have a funded drilling programme in place for 2009. The Board are confident that Lansdowne will continue to secure farm-in partners to fund its drilling programme.

The portfolio also includes a direct interest in exploration royalties in the UK North Sea and Eastern Europe. One of these royalties relates to an undeveloped discovery and depending on further imminent drilling results, some of the royalties may become saleable assets in the short term or revenue generating in their own right in the medium term. There is no certainty as to the outcome of the drilling results.

The Board expect the energy investment portfolio to continue to grow and the recently announced transaction to acquire Eagle Hydrocarbons, and the related planned expansion of the Board, will support these efforts.

Our interests in oil services are through our associate, MPC, which is in discussions aimed at establishing a joint venture with a drilling capability which, the Directors believe, would have an immediate and material effect on lifting Iraqi oil production. The political situation remains uncertain and this may not be a short term process. JPMorgan Cazenove Limited has been engaged to assist MPC in raising a substantial share of future funding requirements.

The marine renewable energy interests are at a relatively early stage but the Group has already secured finance to employ a team with unique offshore experience and development projects and the related finance are now being vigorously pursued.

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 profit and loss account and Group balance sheet would be required to record additional liabilities and write down assets to their recoverable amounts.

1. Presentation of Accounts and Accounting Policies *continued*

Accounting policies

The Group now prepares its accounts in accordance with applicable International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The disclosures required by IFRS 1 “First time adoption of IFRS” concerning the transition from UK GAAP to IFRS are given in note 30.

The IFRS standards and IFRIC interpretations adopted in these financial statements are those issued by the International Accounting Standards Board (“IASB”) that are mandatory for the year end 31 December 2007 as follows :

- **IFRS7 “Financial Instruments: Disclosures”**
IFRS7 has resulted in additional disclosures in the Group accounts, however this standard has had no material effect on the Group’s Income Statement, Balance Sheet or Cash Flow Statement.
- **Amendment to IAS1**
The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages its capital.
- **IFRIC 8 “Scope of IFRS 2”**
- **IFRIC 10 “Interim financial reporting and impairment”**
The application of IFRIC 8, IFRIC 9 and IFRIC 10 did not have a material impact on the financial statements.

The future accounting standards that may effect the Group in 2008 and 2009 are as follow:

- **IFRS8 “Operating Segments”** will replace IAS14 “Segment Reporting” and proposes that entities adopt a management approach to reporting financial performance. We do not anticipate that this standard will have any material impact on the Group’s financial statements.
- **IFRS3 (revised) “Business Combinations”**
This standard includes some significant changes to IFRS3 in respect of business combinations with all payments made to purchase a business recorded at fair value at acquisition date. This standard will affect any acquisitions the Group makes from 1 January 2010.
- **IAS 1 (revised) “Presentation of Financial Statements”**
This standard prescribes the basis for presentation of financial statements and aims to ensure comparability both with the entity’s financial statements of previous periods and with the financial statements of other entities.
- **IAS 23 (revised) “Borrowing Costs”**
The revised standard removes the option of immediately recognising an expense on borrowing costs that relate to assets that take a substantial period of time to get ready for use.

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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

1. Presentation of Accounts and Accounting Policies *continued*

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 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.

1. Presentation of Accounts and Accounting Policies *continued*

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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

1. Presentation of Accounts and Accounting Policies *continued*

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.

Cash and cash equivalents

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

Equity

Ramco Energy plc has one class of ordinary shares and these are classified as 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.

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.

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.

1. Presentation of Accounts and Accounting Policies *continued*

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

Creditor payment policy

Trade creditors are recognised at fair value. The Group's policy concerning the payment of its trade creditors is to:

- a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- c) 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 13.

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.

- Share based payments (note 18)
- Estimation of fair value of warrants
- Deferred tax (note 12)

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2006

2. Segmental Reporting

The Group has two primary business segments being Oil & Gas and Renewable Energy. Discontinued operations are discussed in note 21.

Group	Central and Eastern Europe £,000	Ireland £'000	Total oil & gas £'000	Renewable energy £'000	Corporate unallocated expenses and gains £'000	Total continuing operations £'000
2007						
Revenue	–	–	–	–	–	–
Operating (loss)/profit	(1,349)	4,261	2,912	(116)	(2,215)	581
Share of associates	(57)	(20)	(77)	–	–	(77)
Finance income net						98
Operating loss from discontinued operations						(81)
Profit for the year						521
2006						
Revenue	–	–	–	–	–	–
Operating (loss)/profit	(4,560)	569	(3,991)	–	(1,489)	(5,480)
Finance income net						68
Operating loss from discontinued operations						(267)
Loss for the year						(5,679)

2. Segmental Reporting *continued*

Group	Central and Eastern Europe £,000	Ireland £'000	Total oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated £'000	Group £'000
2007								
Segment assets	105	2,935	3,040	–	3,040	–	2,537	5,577
Segment liabilities	(19)	(15)	(34)	(2)	(36)	(1,145)	(636)	(1,817)
2006								
Segment assets	2,045	897	2,942	–	2,942	–	1,464	4,406
Segment liabilities	(57)	(97)	154	–	(154)	(1,064)	(882)	(2,100)
2007								
Capital Expenditure								
P,P&E	–	–	–	–	–	–	2	2
Intangibles	–	127	127	–	127	–	–	127
Non cash expenses								
Depreciation	–	–	–	–	–	–	21	21
Gain on sale of shares in subsidiary	–	1,568	1,568	–	1,568	–	–	1,568
Gain on deemed disposal of subsidiary	–	2,272	2,272	–	2,272	–	–	2,272

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

2. Segmental Reporting *continued*

Group	Central and Eastern Europe £,000	Ireland £'000	Total oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated expenses and gains £'000	Group £'000
2006								
Capital expenditure								
P,P&E	–	–	–	–	–	–	181	181
Intangibles	9	417	426	–	426	–	426	426
Non cash expenses								
Depreciation	–	–	–	–	–	135	70	205
Gain on listing of subsidiary	–	1,345	1,345	–	1,345	–	1,345	1,345

3. Earnings per Ordinary Share

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

	(pence per share)	
	2007	2006
Earnings/(loss) per share attributable to equity holders of the Company arise from continuing as follows:		
- basic	2.28	(15.62)
- diluted	2.17	(15.62)
Loss per share for loss from discontinued operation attributable to the equity holders of the Company		
- basic	(0.23)	(0.78)
- diluted	(0.22)	(0.78)
Earnings/(loss) per share for profit/(loss) from continuing and discontinued operations attributable to the equity holders of the Company		
- basic	2.05	(16.4)
- diluted	1.95	(16.4)

The calculations were based on the following information.

	£'000	£'000
Earnings/(loss) attributable to equity holders of the Company		
– continuing operations	801	(5,360)
– discontinued operation	(81)	(269)
– continuing and discontinued operations	720	(5,629)
Weighted average number of shares in issue		
– basic	35,176,637	34,317,614
– diluted	36,843,304	34,317,614

3. Earnings per Ordinary Share *continued*

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 three classes of potential ordinary shares; share options, warrants and the Schlumberger debt deferral agreement (note 13 – Interest rate risk). As explained below, only certain warrants are dilutive for the current year.

Share options

Only share options that are exercisable at the reporting date are potential ordinary shares. The lowest exercise price of exercisable share options is 34p per share (note 18). This is above the average market price of the shares in issue for the period. On that basis none of the share options are considered dilutive.

Warrants

In August 2005 warrants over 3,000,000 ordinary shares were issued to the Group's lenders, with an exercise price of 34p. This is above the average market price of the shares in issue for the year and so the warrants are not dilutive.

In June 2007 warrants over 5,000,000 ordinary shares were issued to LC Capital Master Fund, with an exercise price of 14p per share. This is below the average market price of the shares in issue for the year and so the warrants are dilutive.

Debt deferral agreement

Based on the number of shares required to settle the debt and the interest expense accrued in the year, the debt deferral agreement with Schlumberger is anti-dilutive.

4. Intangible Assets

Exploration/appraisal assets	Group £'000	Company £'000
Year ended 31 December 2006		
Opening net book amount at 1 January 2006	6,278	–
Additions	426	–
Disposal	(763)	–
Costs written off	(4,092)	–
Closing net book amount at 31 December 2006	1,849	–
Year ended 31 December 2007		
Opening net book amount at 1 January 2007	1,849	–
Additions	127	–
Deemed disposal (note 22)	(1,000)	–
Costs written off	(937)	–
Closing net book amount at 31 December 2007	39	–

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves. At 31 December 2007, intangible fixed assets totalled £39,000 (31 December 2006 £1.8 million).

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

5. Property, plant and equipment

Group	Land and buildings		Plant, fixtures and equipment £'000	Total £'000
	Freehold £'000	Long-leasehold £'000		
Cost				
At 1 January 2006	1,519	1,113	1,361	3,993
Additions	–	–	181	181
Disposals	(1,519)	–	(1,066)	(2,585)
At 31 December 2006	–	1,113	476	1,589
Accumulated depreciation				
At 1 January 2006	4	960	1,213	2,177
Charge for the year	–	133	72	205
Disposals	(4)	–	(991)	(995)
At 31 December 2006	–	1,093	294	1,387
Net book amount				
At 31 December 2006	–	20	182	202
Cost				
At 1 January 2007	–	1,113	476	1,589
Additions	–	–	2	2
Disposals	–	(1,113)	–	(1,113)
At 31 December 2007	–	–	478	478
Accumulated depreciation				
At 1 January 2007	–	1,093	294	1,387
Charge for the year	–	–	22	22
Disposals	–	(1,093)	–	(1,093)
At 31 December 2007	–	–	316	316
Net book amount				
At 31 December 2007	–	–	162	162

5. Property, plant and equipment *continued*

Company	Freehold land and buildings £'000	Plant, fixtures and equipment £'000	Total £'000
Cost			
At 1 January 2006	1,519	803	2,322
Additions	-	181	181
Disposals	(1,519)	(520)	(2,039)
At 31 December 2006	-	464	464
Accumulated depreciation			
At 1 January 2006	4	662	666
Charge for the year	-	69	69
Disposals	(4)	(448)	(452)
At 31 December 2006	-	283	283
Net book amount			
At 31 December 2006	-	181	181
Cost			
At 1 January 2007	-	464	464
Additions	-	2	2
At 31 December 2007	-	466	466
Accumulated depreciation			
At 1 January 2007	-	283	283
Charge for the year	-	21	21
At 31 December 2007	-	304	304
Net book amount			
At 31 December 2007	-	162	162

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

6. Investments

Company	£'000
Investments in subsidiary undertakings	
Cost at 1 January 2006 and 31 December 2006	5,000
Provision at 1 January 2006 and 31 December 2006	(5,000)
At 1 January 2006 and 31 December 2006	–
Cost at 1 January 2007 and 31 December 2007	
Cost at 1 January 2007 and 31 December 2007	5,000
Provision at 1 January 2007 and 31 December 2007	(5,000)
At 1 January 2007 and 31 December 2007	–

The interests in subsidiary undertakings of the Company are listed in note 27.

Group	£'000
Investments in associates	
At 1 January 2006 and 21 December 2006	–
At 1 January 2007	–
Arising on deemed disposal of subsidiary (note 22)	2,950
Additions	107
Share of loss for year	(77)
At 31 December 2007	2,980

The Group's share of the results of its principal associates and its aggregated assets and liabilities are as follows:

Name	Country of incorporation	Status	Assets	Liabilities	Revenues	Profit/(loss)	% interest held in ordinary shares by Group
2007							
Lansdowne Oil & Gas plc	England	AIM listed	3,713	(783)	–	(20)	42.8%*
Mesopotamia Petroleum Company Limited	England	Private	74	(24)	–	(57)	32.7%
			3,787	(807)	–	(77)	

* Following a placing of shares by Lansdowne Oil & Gas plc in May 2008 the Group's interest reduced to 38.9%.

7. Trade and Other Receivables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts falling due within one year:				
Trade receivables	–	8	–	8
Amounts owed by subsidiary undertakings	–	–	–	16
Amounts owed by joint ventures*	–	19	–	–
Amounts owed by associates (note 28(c))	131	–	131	–
Value added tax and other taxes	40	101	38	67
Other receivables	97	120	96	83
Prepayments	60	80	58	57
	328	328	323	231

* All trading balances related to jointly operated assets.

8. Cash and Cash Equivalents

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash at bank and on hand	50	2	33	2
Short-term bank deposits	2,018	2,025	2,019	1,051
	2,068	2,027	2,052	1,053

9. Trade and Other Payables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts falling due within one year:				
Trade payables	78	132	77	88
Amounts owed to subsidiary undertakings	–	–	42	607
Other taxes and social security	341	56	341	43
Accruals	212	211	177	115
Other payables*	1,157	1,068	1,157	1,068
	1,788	1,467	1,794	1,921

*Other payables includes an amount of £1,145,000 (2006: £1,064,000) due to Schlumberger Offshore Services Limited (note 13 – Interest rate risk).

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

10. Provisions for Liabilities and Charges

Group and Company	Vacant Property £'000	Dilapidation Provision £'000	Total £'000
At 1 January 2006	26	–	26
Provided in the year	–	25	25
Released to the profit and loss account	(26)	–	(26)
At 31 December 2006	–	25	25
At 1 January 2007	–	25	25
Provided in the year	–	1	1
Released to the profit and loss account	–	(25)	(25)
At 31 December 2007	–	1	1

Vacant property and dilapidation provision

The Group had a leasehold property, which was sub-let. The sub-tenants did not exercise their option to terminate their subordinate lease before the Group's head lease expired in September 2007. The 2005 vacant property provision for residual lease commitments was released to the profit and loss account in 2006.

The Group's obligation with regard to terminal dilapidations under the terms of the head lease were provided for in 2006. These were settled in 2007 and the provision released to the profit and loss account.

Provision of £1,000 has been made in respect of the Company's dilapidation obligations under the lease of its office building.

11. Other Non-Current Liabilities

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank loans	55,642	55,642	–	–
Less: bank loans impairment	(55,642)	(55,642)	–	–
Accruals	–	574	–	574
Finance lease	30	34	30	34
	30	608	30	608

Under the terms of their service contracts, two Directors earned profit and disposal bonuses during 2005. These were accrued in 2005 on the basis that both Directors agreed to defer payment until 2006. They subsequently agreed to defer payment until 2008, rendering the accruals as amounts due after more than one year. Payment was made in December 2007.

The bank loans relate to a £60 million senior and a £8.6 million mezzanine project finance facility arranged for the Seven Heads gas field development, which was due to be repaid in six monthly instalments. However, the net cash generated from the field was insufficient to meet the repayments. During 2005 the Group reached agreement with its Bankers regarding these matters. Under the terms of this agreement, the Group's Bankers granted waivers in respect of arrears of capital and interest and breach of financial covenants. As part of the agreement the Group issued warrants to the lenders for 3,000,000 ordinary shares of 10p at a price of 34p. These warrants can be exercised until 30 June 2010.

11. Other Non-Current Liabilities *continued*

The table below describes the loan balances.

		2007 £'000	2006 £'000
Bank loans	Main and mezzanine	37,887	46,088
	Unpaid gas price hedge	13,199	13,199
	Unpaid interest on loan	4,556	4,556
	Repaid	–	(8,201)
		55,642	55,642
Less	Impairment borne by finance provider	(55,642)	(55,642)
		–	–

The remaining amount due of £55.6 million was not formally written off by the bank as at 31 December 2007. However, under the terms of the agreement for the sale of RCSL to Marathon International Petroleum Hibernia Limited, all sums due to them have been retired.

12. Deferred Taxation

Deferred taxation is provided as follows:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Provision at 1 January and 31 December	–	–	–	–

The unprovided asset for deferred taxation is as follows:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Capital allowances in advance of depreciation	(313)	(334)	(94)	(100)
Short term timing differences	–	(8)	–	(8)
Unrelieved losses	(5,506)	(4,642)	(1,364)	(1,253)
Unrelieved capital losses	(936)	(668)	–	–
	(6,755)	(5,652)	(1,458)	(1,361)

13. Financial Risk Management

Exposure to credit, commodity, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Board reviews and agrees policies for managing financial risks.

The Group may from time to time, with the approval of the Board, use derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and movements in oil and gas prices. However, the Group does not undertake any trading activity in financial instruments.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Transactions involving derivatives are to be with counterparties with whom the Group has signed a netting agreement and who have sound credit ratings. At the reporting date there are no outstanding derivative financial instruments and no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Credit risk arises from cash and cash equivalents and deposits with banks. The Group's policy is to deposit cash with banks with an 'A' rating or better where possible. There is no credit risk associated with other debtors and prepayments.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

13. Financial Risk Management *continued*

Commodity price risk

The Group currently has no oil or gas production. Future requirements for hedges against fluctuations in oil or gas prices will be reviewed by the Board on a project by project basis.

Liquidity risk

The Group's strategy is to finance its operations through a mixture of retained profits, cash reserves and borrowings. Equity finance, project finance and other alternatives are reviewed by the Board, when appropriate, to fund substantial acquisitions or oil and gas development prospects.

The Group treasury department monitors the availability of and requirement for funds in the Group. Surplus cash within the Group is put on short term deposits in accordance with limits and counterparties agreed by the Board. The objective is to maximise returns on funds whilst ensuring that the short term cash flow requirements of the Group are met.

Interest rate risk

Investments in fixed-rate debt securities and fixed-rate borrowings are exposed to a risk of a change in their fair value due to changes in interest rates. Investments in variable-rate debt securities and variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

In respect of income-earning financial assets and interest-bearing financial liabilities the following table indicates their average effective interest rates at the reporting date and the periods in which they mature. At present all such financial assets and financial liabilities are variable-rate instruments. Non-interest bearing short term debtors and creditors have been excluded from the numerical disclosures.

	Average effective interest rate	2007				
		Total £'000	0-1 years £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Variable rate instruments						
Cash on deposit	5.73%	2,018	2,018	–	–	–
Debt deferral instrument	8.96%	(1,145)	(1,145)	–	–	–
Finance lease liability	7.50%	(34)	(4)	(4)	(12)	(14)
		839	869	(4)	(12)	(14)

	Average effective interest rate	2006				
		Total £'000	0-1 years £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Variable rate instruments						
Cash on deposit	4.26%	2,025	2,025	–	–	–
Debt deferral instrument	8.53%	(1,064)	(1,064)	–	–	–
Finance lease liability	7.00%	(38)	(4)	(4)	(12)	(18)
		923	957	(4)	(12)	(18)

Cash on deposit is held in interest-bearing call accounts. The disclosed figure above does not include petty cash balances, which do not earn interest. Cash deposits that are not denominated in Sterling are disclosed under the section on foreign currency risk.

13. Financial Risk Management *continued*

During the development phase of the Seven Heads gas field, a subsidiary of the Group incurred an outstanding trading balance due to Schlumberger Offshore Services Limited ("Schlumberger"), which it was unable to settle. This balance was guaranteed by the Company. The guarantee took the form of a deferral agreement, whereby Schlumberger irrevocably waved the right to a cash settlement in return for an option to settle the debt in the shares of the Company. The number of shares required to settle the debt is based on the outstanding debt divided by the mid market price of the shares on the day the option is exercised. The outstanding debt bears variable-rate interest at 3 per cent above LIBOR. The timing of the share issue is at the discretion of Schlumberger and the Group is required to engage the services of its brokers to place the shares as soon as is practical after the issue. Although the settlement of this debt deferral instrument will result in no outflow of resources from the Group, the fact that the number of shares required to settle the debt is variable means that the instrument is classified as a current financial liability and not an equity instrument.

As at the reporting date, the Group's bank loan financial liability nets with an equal and opposite financial asset derived from the bank's waiver agreement, as shown in note 11. Consequently, there is now no interest rate risk associated with the bank loan.

The finance lease creditor attracts variable-rate interest at 2 per cent above the Bank of England's base rate.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Euros and U.S. Dollars.

The table below shows the extent to which Group companies have monetary assets in currencies other than their functional currency. Foreign exchange differences on retranslation of these assets are taken to the profit and loss accounts of the Group companies and the Group.

At 31 December 2007, currency exposures are as follows:

Functional currency of group operation	Net foreign currency monetary assets			Total £'000
	Euro £,000	US Dollars £'000	Other £'000	
Sterling	17	–	–	17

Foreign exchange losses totalling £5,000 (2006: £73,000) have been recognised in the profit and loss account for the year.

At 31 December 2006, currency exposures are as follows:

Functional currency of group operation	Net foreign currency monetary assets			Total £'000
	Euro £,000	US Dollars £'000	Other £'000	
Sterling	13	793	–	806

The exposure to foreign currency risk associated with potential future overseas projects will be managed by matching receipts and payments in the same currency and actively managing the residual net position through appropriate use of forward contracts and other derivative instruments. Hedges of net investments in foreign operations may also be used where the functional currency of the operation differs from the reporting currency of the Group.

Fair values

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2007. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2007		2006	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Cash	2,068	2,068	2,027	2,027
Other non-derivative financial liabilities	(637)	(637)	(1,127)	(1,127)
Other non-derivative financial assets	328	328	328	328
	1,759	1,759	1,128	1,128

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

13. Financial Risk Management *continued*

Cash

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

Other non-derivative financial liabilities

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

14. Share Capital and Premium

	Date	Number of shares (thousands)	Ordinary Shares £'000	Share Premium £'000	Total £'000
At 1 January 2006		33,145	3,314	69,294	72,608
5 April 2006	Issue of new shares	520	52	96	148
1 June 2006	Issue of new shares	1,353	136	15	151
At 31 December 2006		35,018	3,502	69,405	72,907
30 November 2007	Issue of new shares	1,870	187	228	415
At 31 December 2007		36,888	3,689	69,633	73,322

The total authorised number of ordinary shares is 70 million shares (2006: 40 million shares) with a par value of 10 pence per share. All issued shares are fully paid.

On 30 November 2007, 1,870,000 new ordinary shares of 10p each were issued for 22.2p per share, in satisfaction of deferred remuneration due to Executive Directors.

On 14 May, 2008 the Company allotted and issued 943,396 new ordinary shares of 10p each at a price of 26.5 pence per ordinary share as initial consideration for the acquisition of Eagle HC Limited (note 29).

The principal trading market for the shares in the UK is the London Stock Exchange's Alternative Investment Market ("AIM") on which the shares have been traded since 14 November 1996.

The following table sets forth, for the calendar quarters indicated, the reported highest and lowest price for the shares on AIM, as reported by the London Stock Exchange.

	2007		2006	
	Pence per share		Pence per share	
	High	Low	High	Low
First quarter	20.5	16.0	33.0	24.0
Second quarter	26.0	16.5	35.0	13.0
Third quarter	21.0	16.25	31.0	21.5
Fourth quarter	21.0	15.5	25.0	16.5

15. Retained Earnings

	Group £'000	Company £'000
Year ended 31 December 2007		
At 1 January 2007	(70,945)	(73,996)
Profit for the financial year	720	714
Share based payments charge (note 18)	82	94
Disposal to minority interest	579	578
At 31 December 2007	(69,564)	(72,610)
Year ended 31 December 2006		
At 1 January 2006	(65,393)	(70,918)
Loss for the financial year	(5,628)	(3,144)
Share based payments charge (note 18)	76	66
At 31 December 2006	(70,945)	(73,996)

16. Group Operating Profit/(Loss)

	2007 £'000	2006 £'000
This is stated after charging/ (crediting):		
Depreciation of tangible fixed assets	22	205
Operating lease rentals – land and buildings	37	65
(Gain)/loss on disposal of tangible fixed assets	(80)	23

During the year the Group obtained the following services from the Group auditors at costs detailed below:

	2007 £'000	2006 £'000
Audit services:		
– fees payable to Company auditor for the audit of parent Company and consolidated accounts	93	75
Non-audit services:		
– fees payable to the Company's auditor for the audit of Company's subsidiaries pursuant to legislation	54	60
– compliance tax services	35	64
– advisory tax services	35	58
	217	257

17. Employees and Directors

	2007 Number	2006 Number
The average number of employees, including Executive Directors, during the year:		
Oil and gas	3	4
Head office and management	6	6
	9	10
Staff costs during the year amounted to:		
Wages and salaries	1,207	1,489
Social security costs	111	156
Pension costs (note 24)	144	183
	1,462	1,828

Remuneration of the Directors is discussed within the Remuneration report on pages 18 to 20.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

18. Share Based Payments

(a) Share based payments of the Company

The Company has granted options under a number of Employee Share Option Schemes. Before any of the share options granted under these schemes can be exercised the Group must first have achieved certain performance targets, as detailed below. All options are to be settled by physical delivery of shares. As at 31 December 2007 the following options were outstanding:

Option price	2007	2006	Exercisable at 31 Dec 2007	Remaining contractual life	Normal exercise dates	Target variable	Target
1095p	–	2,000	–	–	25/2/00 – 24/2/07	EPS	>RPI
1095p	–	2,500	–	–	19/3/00 – 18/3/07	EPS	>RPI
675p	148,500	148,500	148,500	0.3 years	30/4/01 – 29/4/08	EPS	>RPI
675p	51,500	51,500	51,500	0.3 years	5/5/01 – 4/5/08	EPS	>RPI
395p	8,000	8,000	–	1.5 years	17/7/02 – 16/7/09	TSR	>RPI+5%
395p	32,500	32,500	–	1.5 years	17/7/04 – 16/7/09	TSR	>RPI+10%
347.5p	172,425	172,425	–	3.4 years	11/5/06 – 10/5/11	TSR	(1)
335p	–	1,800	–	4.4 years	5/6/05 – 4/6/12	TSR	(2)
335p	3,200	3,200	–	4.4 years	5/6/07 – 4/6/12	TSR	(1)
350p	16,920	16,920	–	5.8 years	14/10/06 – 13/10/13	TSR	(2)
350p	30,080	30,080	–	5.8 years	14/10/08 – 13/10/13	TSR	(1)
34p	745,000	745,000	–	7.6 years	30/7/08 – 29/7/15	TSR	(2)
21p	–	25,000	–	8.8 years	10/11/09 – 9/11/16	TSR	(2)
	1,208,125	1,239,425	200,000				

(1) Before these options can be exercised Ramco must be in the top third of the table of growth in Total Shareholder Return of the companies in the FTSE all share index.

(2) Before these options can be exercised Ramco must be in the top two thirds of the table of growth on Total Shareholder return of the companies in the FTSE all share index.

EPS Earnings per share.

TSR Total Shareholder Return.

RPI Retail Price Index.

Details of the Directors' options which are included in the above figures are shown in the Remuneration report on pages 18 to 20.

The numbers and weighted average prices of share options are as follows:

	2007		2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding at 1 January	1,239,425	210p	1,818,400	284p
Options granted	–	–	25,000	21p
Options cancelled or expired	(31,300)	193p	(603,975)	427p
Options outstanding at 31 December	1,208,125	210p	1,239,425	210p
Options available for grant 31 December	361,634		305,534	
Options exercisable at 31 December	200,000	675p	204,500	684p

The options outstanding at 31 December 2007 have an exercise price range of 34p to 675p and a weighted average contractual life of 5.5 years.

18. Share Based Payments *continued*

The recognition and measurement requirements of IFRS 2 have been applied to all options granted after 7 November 2002, as stipulated by this standard. The fair value of services received in return for these share options is based on the fair value of the share options granted, measured using a TSR simulation model, with the following inputs:

Fair value of share options and assumptions used in option pricing model

Grant date	9/11/2006	29/7/2005	13/10/2003	13/10/2003
Performance target	(2)	(2)	(2)	(1)
Number of options granted	25,000	820,000	33,480	59,520
Fair value at grant date	17p	34.3p	155p	140p
Share price at grant date	21p	30p	350p	350p
Exercise price	21p	34p	350p	350p
Expected volatility	119%	115%	37%	37%
Expected option life	7 years	7 years	7 years	8 years
Risk-free interest rate (based on government bonds)	4.7%	4.3%	4.8%	4.8%
Expected dividend yield	0%	0%	0%	0%

Employee expense

The cost of awards to employees and Directors under the current share option scheme is recognised over the vesting period of the awards, which is either three or five years depending on the category of options awarded.

	2007 £'000	2006 £'000
Expense/(credit) for share options granted in 2003	8	(16)
Expense for share options granted in 2005	86	82
Total expense recognised as employee costs in the period	94	66

During 2006 some employees left the Group before their awards of options had vested. In these cases the expense recorded in prior years has been reversed.

19. Finance income and costs

Finance income	2007 £'000	2006 £'000
Bank Interest	100	112
Other	5	1
Finance income	105	113

Finance costs	2007 £'000	2006 £'000
Other	(7)	(45)
Finance costs	(7)	(45)

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

20. Income Tax Expense

Analysis of charge in period	2007 £'000	2006 £'000
Current tax:		
UK corporation tax at 30% (2006: 30%)	–	–
Adjustments in respect of previous periods	–	74
Total current tax	–	74
Total deferred tax:	–	–
Tax on profit/(loss) on ordinary activities	–	74

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Factors affecting tax charge for period	2007 £'000	2006 £'000
Profit/(loss) before income tax	521	(5,679)
Profit/(loss) before income tax multiplied by standard rate of tax 30% (2006: 30%)	156	(1,704)
Effects of:		
Expenses not deductible for tax purposes	(1,077)	981
Capital allowances in excess of depreciation/other timing differences	921	723
Adjustments to tax in respect of prior period	–	74
Total current tax	–	74

21. 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 £1,145,000 due to Schlumberger as at 31 December 2007 (31 December 2006 £1,064,000) relates to the Seven Heads development. The interest accrued on this debt during the current year 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.

21. Discontinued Operation *continued*

Income statement and cash flow information

	2007 £'000	2006 £'000
Revenue	–	986
Expenses	–	(343)
Loss on disposal	–	(734)
Loss before interest and tax from discontinued operation	–	(91)
Interest	(81)	(102)
Tax	–	(74)
Loss after tax from discontinued operation	(81)	(267)
Operating cash flows for discontinued operation	–	539
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	–	(3,581)

22. Investment in Lansdowne Oil & Gas plc

a) Gain on listing of shares

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 constituted 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) Gain on disposal of shares

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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

22. Investment in Lansdowne Oil & Gas plc *continued*

	£'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

(c) Gain on deemed disposal of shares

On 29 November 2007 Lansdowne Oil & Gas plc issued 8,921,118 new ordinary shares as consideration pursuant to an acquisition agreement under which it acquired the whole issued share capital of Milesian Oil & Gas Limited. As Ramco Hibernia Limited did not receive any of the new shares issued, the Group's interest in Lansdowne Oil & Gas plc reduced from 61.15% to 42.8% and a gain on deemed disposal arose as follows:

	£'000
Group's share of net assets after issue of consideration shares	2,950
Group's share of net assets before issue of consideration shares	906
Group gain on deemed disposal	2,044
Other gain realised on deemed disposal	228
Gain per income statement	2,272

23. Reconciliation of Profit/(Loss) Before Income Tax to Cash Used in Operations

Group	Note	2007 £'000	2006 £'000
Profit/(loss) for year from continuing operations		602	(5,412)
Adjustments for:			
Depreciation of property, plant and equipment		22	205
Intangible assets written off		937	4,092
(Gain)/loss on sale of property, plant and equipment		(82)	23
Gain on sale of shares in subsidiary		(1,568)	–
Gain on deemed disposal		(2,272)	(1,345)
Equity settled share-based payment transactions		78	78
Gain on dilution of investment		(107)	–
Share of associate loss		77	–
Operating cash flows before movements in working capital		(2,313)	(2,359)
Change in trade and other receivables		(119)	383
Change in trade and other payables		(116)	(773)
Change in provisions		(24)	(162)
Cash outflow generated by operations		(2,572)	(2,911)
Net finance income	19	(98)	(68)
Net cash used in continuing operating activities		(2,670)	(2,979)

23. Reconciliation of Loss Before Income Tax to Cash Used in Operations *continued*

Group	2007 £'000	2006 £'000
Loss for year from discontinued operation	–	(267)
Adjustments for:		
Loss on sale of discontinued operation, net of tax	–	734
Net finance expense	(81)	102
Operating cash flows before movements in working capital	(81)	569
Change in trade and other receivables	–	(215)
Change in trade and other payables	81	185
Change in provisions	–	30
Cash used in operations	–	569
Interest paid	–	(30)
Net cash from discontinued operating activities	–	539
Company	2007 £'000	2006 £'000
Profit/(loss) for year from continuing operations	714	(3,360)
Adjustments for:		
Depreciation of property, plant and equipment	21	69
Loss on sale of property, plant and equipment	–	20
Equity settled share-based payment transactions	94	66
Impairment provision – group receivables	(1,856)	2,188
Income tax expense	–	87
Operating cash flows before movements in working capital	(1,027)	(930)
Change in trade and other receivables	2,372	(2,224)
Change in trade and other payables	(782)	1,192
Change in provisions	(24)	(1)
Cash outflow generated by operation	539	(1,963)
Net finance income (expense)	15	(23)
Cash used in operations	554	(1,986)

24. Pension Commitments

The Group contributes to a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £140,000 (2006: £183,000). Contributions totalling £nil (2006: £nil) were payable to the funds at the year end.

Staff are eligible to join the Group's defined contribution schemes after three months' service with the Group. The Group contributes between 5% and 15% of each participating employee's salary to the scheme. The employees may also contribute to the scheme.

Details of the Directors' pension contributions are given in the Remuneration Report on pages 18 to 20.

25. Capital Commitments

The Group has no unprovided contractual commitments for capital expenditure.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

26. Operating Lease Commitments – minimum lease payments

	Land and buildings	
	2007 £'000	2006 £'000
Group		
Commitments under non-cancellable operating leases expiring:		
No later than 1 year	–	14
Later than 1 year and no later than 5 years	–	–
Later than 5 years	37	37
	37	51

Leases of land and buildings are subject to periodic rent reviews.

Rental expenses are disclosed at note 16 and finance lease commitments are disclosed in note 13.

27. Group Undertakings

	Country of registration	Class of shares	Proportion held	Nature of business
Principal operating subsidiary undertakings at 31 December 2007:				
Ramco Oil & Gas Limited ⁽¹⁾	Scotland	Ordinary	100%	Holding company
Ramco Eastern Europe Limited ⁽¹⁾	Scotland	Ordinary	100%	Holding company
Ramco Hazar Energy Limited ⁽²⁾	Scotland	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas Limited ⁽¹⁾	England	Ordinary	100%	Oil and gas projects
Ramco Seven Heads Limited ⁽²⁾	Scotland	Ordinary	100%	Oil and gas projects
Northern Exploration Limited ⁽²⁾	Ireland	Ordinary	100%	Oil and gas projects
Medusa Montenegro Limited ⁽²⁾	Scotland	Ordinary	100%	Oil and gas projects
Ramco Bulgaria Limited ⁽²⁾	Scotland	Ordinary	100%	Oil and gas projects
Ramco Hibernia Limited ⁽¹⁾	England	Ordinary	100%	Holding company
SeaEnergy Renewables Limited ⁽³⁾	Scotland	Ordinary	100%	Renewable energy projects

In addition there are a number of non trading subsidiary undertakings.

⁽¹⁾ Shares held by the Company. The carrying value of these investments has been written down to £nil (2006: £nil).

⁽²⁾ Shares held by Ramco Oil & Gas Limited.

⁽³⁾ Holding reduced to 88% in May 2008.

28. Related Party Transactions

(a) Directors

During 2005 and 2006 Executive Directors, S E Remp and S R 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 31 December	
	2007 £'000	2006 £'000
S E Remp	-	445
S R Bertram	-	170
C G Moar	-	16
	-	631

No guarantees were given by the Company and no interest was charged on the outstanding balances. The Directors concerned used the net sums due to them, after tax, to purchase new shares in the Company in December 2007.

(b) Directors

The Company reimbursed expenses totalling £35,000 incurred by S E Remp personally in connection with SeaEnergy Renewables Limited prior to that subsidiary commencing trade.

(c) Associates

During the year to 31 December 2007 the Group made payments for administrative expenses on behalf of its associate company Mesopotamia Petroleum Company Limited ("MPC") of £114,000 (2006: £nil). The balance owed by MPC to the Group as at 31 December 2007 is £20,000 (2006: £nil). 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 year to 31 December 2007 the Group made payments for administrative expenses on behalf of its associate company Lansdowne Oil & Gas plc ("Lansdowne") of £7,000 (2006: £nil). The balance owed by Lansdowne to the Group as at 31 December 2007 is £111,000 (2006: £121,000). 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.

29. Post Balance Sheet Events

Acquisition of Eagle HC Limited

On 14 May 2008 the Group acquired Eagle HC Limited ("Eagle") for an initial consideration of £1.25 million to be satisfied in new shares of the Company, of which £250,000 was satisfied by the issue of 943,396 ordinary shares in the Company, with the balance being satisfied by the issue of further ordinary shares in the Company at a value equal to the average closing mid-market price for the nine business days following the announcement of the Group's results for the year ended 31 December 2007.

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. 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 at the average closing mid-market price for the 15 business days immediately prior to the issue of the shares.

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

30. Explanation of Transition to IFRS

The Group is presenting its full year results under IFRS for the first time in these financial statements, 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 full year period 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 £'000	IAS 16 IFRS 5 disposal groups (b) £'000	Property plant & equipment (c) £'000	IFRS 7 financial instruments (g) £'000	Current/ non-current (h) £'000	Total IFRS adjustments £'000	IFRS £'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

30. Explanation of Transition to IFRS *continued*

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

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 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

Notes to the Consolidated Financial Statements *continued*

For the year ended 31 December 2007

30. Explanation of Transition to IFRS *continued*

(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.

(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.

(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.

(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.

(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.

Five Year Record

	2007 £'000	2006 £'000	2005 restated £'000	2004 £'000	2003 £'000
Continuing operations					
Revenue	–	–	13,664	41,927	20,832
Cost of sales	(21)	(78)	(22,535)	(45,519)	(24,249)
Exceptional items	–	–	15,681	5,714	(99,174)
Write off of intangible exploration assets	(937)	(3,950)	–	–	–
Gross (loss)/profit	(958)	(4,028)	6,810	2,122	(102,591)
Operating/administrative expenses					
Operating/administrative expenses	(2,301)	(2,797)	(1,543)	(1,421)	(1,778)
Exceptional items	–	–	(809)	–	–
Gain on listing of subsidiary	–	1,345	–	–	–
Gain on sale of shares in subsidiary	1,568	–	–	–	–
Gain on deemed disposal of subsidiary	2,272	–	–	–	–
Loss on exchange	–	–	(2)	(103)	(686)
Group operating profit/(loss)	581	(5,480)	4,456	598	(105,055)
Income from interests in joint venture					
Income from interests in joint venture	–	–	582	617	166
(Loss)/income from interests in associates	(77)	–	74	64	53
Profit/(loss) before investment income, interest and taxation	504	(5,480)	5,112	1,279	(104,836)
Investment income					
Investment income	–	–	–	–	3
Net finance income/(expense)	98	68	(3,290)	(4,565)	738
Taxation	–	–	(84)	(91)	27,404
Profit/(loss) from continuing operations	602	(5,412)	1,738	(3,377)	(76,691)
Discontinued operation					
Loss from discontinued operation	(81)	(267)	–	–	–
Profit/(loss) for the year	521	(5,679)	1,738	(3,377)	(76,691)
Earnings/(loss) per share					
Earnings/(loss) per share	2.05p	(16.4)p	5.5p	(11.2)p	(278.2)p
Weighted average number of shares used to compute earnings/(loss) per share	35,176,637	34,317,614	31,714,576	30,144,713	27,570,483

The figures presented above for 2007 and 2006 have been prepared in accordance with IFRS. The figures for 2005 and earlier years have been prepared in accordance with UK GAAP.

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www.lansdowneoilandgas.com
www.seaenergyrenewables.com

Notice of Annual General Meeting

Notice is hereby given that the 30th Annual General Meeting of the members of Ramco Energy plc will be held at The Holiday Inn, Westhill Drive, Westhill, Aberdeenshire on 19 August 2008 at 12.30pm to conduct the following business:

1. To receive the Report of the Directors, the financial statements for the period ended 31 December 2007 and the Auditors' Report thereon.
2. To consider the re-election of S R Bertram, who retires by rotation and being eligible offers himself for re-election as a Director.
3. To consider the re-election of N S Cumming, who retires by rotation and being eligible offers himself for re-election as a Director.
4. To consider the re-election of S G Lampe, who has been appointed to the Board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
5. That PricewaterhouseCoopers LLP be reappointed Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
6. To consider the following Resolution as a Special Resolution:

That the Articles of Association contained in the document produced to the Meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of this Annual General Meeting.

It is proposed to adopt new articles of association ("the New Articles") in order to update the Company's current articles of association ("the Current Articles") primarily to take account of changes in company law brought about by the implementation of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix. A copy of the New Articles showing all the proposed changes to the Current Articles are available from the Company Secretary for inspection prior to the Annual General Meeting.

7. To consider the following Resolution as an Ordinary Resolution:

That in accordance with Article 19 of the Current Articles, the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in Section 80 (2) of the Act) up to an aggregate nominal amount equal to 1/3 of the issued share capital of the Company as at the date hereof, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company, except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to such an offer or agreement as if this authority had not expired.

8. To consider the following Resolution as a Special Resolution:

That in accordance with Article 20 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 7 above as if sub-section 89(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £391,000;

and this power shall expire on the conclusion of the next Annual General Meeting of the Company, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

9. To consider the following Resolution as a Special Resolution:

That the Company be and is hereby generally and unconditionally authorised to purchase for cancellation its own ordinary shares by way of market purchase (within the meaning of Section 163(3) of the Act, provided that:

- (a) the maximum number of ordinary shares hereby authorised to be acquired is 3,914,850 ordinary shares of 10p each being approximately 10 per cent of the Company's existing issued share capital;
- (b) the maximum price which may be paid for such shares is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share in the Company as derived from the Daily Official List of The London Stock Exchange for the five dealing days immediately preceding the date of purchase and the minimum price is 10p per share being the nominal value thereof, in both cases exclusive of expenses;
- (c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- (d) the Company may before the expiry of such authority make a contract to purchase its ordinary shares under the authority hereby conferred, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

By order of the Board
C G Moar
Company Secretary
Britannia House, Endeavour Drive, Arnhall Business Park
Westhill AB32 6UF
30 June 2008

Every member entitled to attend and vote at the above Annual General Meeting is entitled to appoint a proxy or proxies, who need not be a member of the Company, to attend, speak and on a show of hands or on a poll, vote instead of him or her. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. Return of the form of proxy will not prevent a member from attending and voting in person. To be effective, forms of proxy must be received by the Company's registrars, Capita Registrars, at least (i) 48 hours before the time appointed for the holding of the Annual General Meeting or the adjourned meeting and (ii) in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of the poll. In calculating these periods, no account shall be taken of any part of a day that is not a working day.

Notice of Annual General Meeting

Only persons entered on the register of members of the Company at 10.00 a.m. on 17 August 2008 shall be entitled to attend and vote at the Annual General Meeting or adjourned meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time will be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

A statement of all transactions of each Director and his family interest in the shares of the Company and copies of all service contracts of the Directors with the Company or any of its subsidiaries are available for inspection at the registered office of the Company on any weekday from the date of this notice until the date of meeting and will be available for inspection at the place of the Annual General Meeting for a period of fifteen minutes prior to the meeting until its conclusion.

A copy of the New Articles showing all the changes proposed to the Current Articles are available from the Company Secretary prior to the Annual General Meeting taking place.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's registrars, Capita Registrars, not later than 48 hours before the time fixed for the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appendix to Notice of Annual General Meeting

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

The principal changes proposed to the Company's current articles of association are summarised as follows:-

- **Electronic and web communications**

The Companies Act 2006 ("CA2006") introduces new procedures to allow companies to communicate with their shareholders electronically and also to allow a company's shareholders to communicate electronically with it.

Under these new rules which came into force in January 2007, which extend the previous provisions of the Companies Act 1985, a company is allowed to send or supply documents and information to shareholders in electronic form by email and through its website. However, a shareholder must have expressly consented to receive information in this way to allow the company to communicate with them electronically. Given the relatively small number of shareholders at present, the Company does not at this time see any particular value in communicating with its shareholders in this way and accordingly it does not intend to seek the necessary agreement from shareholders at present. However, the Company considers it prudent to amend now the Current Articles to allow for this form of communication so as to give the Company the flexibility to introduce electronic communication should the directors consider it appropriate at some point in the future.

Certain of the proposed changes to the Current Articles will allow shareholders to communicate with the Company electronically, particularly in relation to the convening of meetings of the Company's shareholders and the appointment of proxies. However, the board of directors of the Company shall have discretion as to whether to implement this method of communication with the Company and it will advise shareholders of an appropriate email address for any such communications should it consider it appropriate.

- **Notice of board meetings**

Provisions on convening and the length of notice of general meetings are amended to conform to the CA2006. In particular, a general meeting (other than an annual general meeting) to consider a special resolution can now be convened on not less than 14 days' notice whereas previously not less than 21 days' notice was required.

- **Form of resolution**

The concept of extraordinary resolutions has not been retained under the CA2006. The distinction between ordinary and special business has also been removed. In addition under the CA2006, public companies can no longer pass written resolutions of shareholders so the relevant provisions relating to this process have been removed in the New Articles.

- **Age of directors on appointment**

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. The CA2006 repeals the existing law relating to the age of directors so related provisions have been removed in the New Articles.

- **Directors indemnities and loans to fund expenditure**

The CA2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The New Articles provide for this and, in particular, clarify that the Company may indemnify a director of it or any of its subsidiaries or any director of a company that is a trustee of an occupational pension scheme for employee of the Company or any of its subsidiaries against any liability incurred in the proper performance of his duties. The Current Articles allow the Company to provide such an indemnity to its directors only.

- **Conflicts of interest**

The CA2006 sets out directors' general duties which largely codify the existing law but with some changes. Under CA2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is broad and could apply, for example, if a director is or becomes a director of another company or a trustee of another organisation, the business of which in some way conflicts with that of the Company. The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate and where the relevant company's articles of association contain a provision to this effect. The New Articles will, with effect on and from 1 October 2008 (or such time as the relevant provisions of the CA2006 come into force), give the directors the authority to approve such conflicts of interests.

Directors in considering any conflict or potential conflict situation must act in a way they consider, in good faith, will be most likely to promote the Company's success. The New Articles will provide for the directors being able to impose limits or conditions when giving any authorisation or subsequently, if they think this is appropriate. Only directors who have no interest in the matter being considered will be able to take decisions and grant authorisations relating to the conflict or potential conflict in question.

The New Articles also contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the situation giving rise to the potential conflict has previously been authorised by the directors.

- **Votes of members**

Under the CA2006, proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. In addition, CA2006 permits the appointment of multiple proxies provided that each proxy is appointed to exercise the rights attached to a different share(s) held by the appointing shareholder. The New Articles provide for all these new provisions.

- **General**

Other minor changes to the Current Articles are proposed to take account of certain limited changes to the provisions of the Companies Act 1985 effected by the CA2006 to the extent that it is currently in force.

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