2005

Contents

Chairman's Statement

Dear Shareholder,

This has proved to be an immensely challenging period for the Company. However, both the Board and employees have remained resolute in their commitment to Ramco's turnaround and I offer my sincere thanks to them and to the many shareholders who continued to support the Company during such trying times.

Strategy

In April 2005, the Ramco Board undertook a thorough review of the Company's prospects and strategy, following the significant problems we encountered with the Seven Heads gas development, offshore Ireland, and decided to pursue a turnaround strategy based on the following key objectives:

The sale of our Oil Services division to repay £12 million of secured debt related to the Seven Heads development; this transaction and the associated debt repayment were completed just before the end of 2005.

The sale of our interest in the Seven Heads gas field, which was pledged as security for the remaining project debt. The completion of this transaction in February 2006 also relieved Ramco of related liabilities in the form of parent company guarantees.

The resolution of the long-running Tenge lawsuit in the US; whilst this objective was to a large extent outside our control, we were delighted to announce earlier this month that the Fourteenth Texas Court of Appeals had ruled in our favour and overturned the trial court's judgement in its entirety. The plantiffs have filed a motion with the Court of Appeals for a re-hearing, but the Directors do not consider it necessary to alter the existing provision in Ramco's accounts which should cover the costs of this anticipated procedure.

Financial Results

Group turnover for 2005 totalled £13.7 million, down from £41.9 million in 2004, reflecting the lower gas production from the Seven Heads gas field and a contribution from the Oil Services division for the period to 16 December 2005.

Despite the lower turnover, Group operating profit increased from £598,000 in 2004 to £5.3 million in 2005. This improvement is largely due to exceptional adjustments to cost of sales, which reflect the impairment borne by the finance provider on the Seven Heads project, and the reversal of a previous impairment provision to bring the year end carrying value of the asset in line with the price received on its subsequent disposal early in 2006.

Administrative expenses rose slightly from £1.4 million in 2004 to £1.5 million in 2005. Cost savings instigated following the recognition of difficulties with the Seven Heads gas field were expected to result in a further reduction in administrative expenses. However, these savings were more than offset by additional professional fees incurred in the merger talks aborted in April 2005.

The overall result before tax, for the year, after reflecting the net reversal of £4.9 million in the impairment provision against the Seven Heads gas field referred to above, is a profit of £1.9 million. After a tax charge of £84,000, the net result is an after tax profit of £1.8 million, compared with a loss of £3.4 million in 2004. The Directors do not recommend the payment of a dividend (2004: nil) and £1.8 million will be added to the Group's reserves.

At 31 December 2005 the Group held cash balances of £4.8 million. Of this sum, £2.9 million was ring fenced and has subsequently been repaid to the Group's lenders. Since the year end, a total of £298,000 has been raised through the issue of 1,873,102 new shares and, following the lifting of arrestments and inhibitions related to the Tenge lawsuit earlier this month, we have concluded the sale of our office building in Aberdeen for £1.5 million and will shortly be relocating to new premises.

A debt of £0.9 million, connected with the Seven Heads development, remains due to Schlumberger. Under a waiver agreement it signed to allow us to complete the retirement of the bank debt, Schlumberger has the option to request that the debt be repaid by an issue of new Ramco shares.

Exploration

While we were pursuing our turnaround objectives, we also succeeded in retaining valuable exploration rights. We have, over the past two years, had a very limited amount of cash to devote to our exploration portfolio but have retained the following interests:

Ireland

We required funds to ensure that we could honour commitments to complete the work programmes necessary to have our four Licensing Options in the Celtic Sea extended. Protective security (arrestments and inhibitions) put in place by the plaintiff in the Tenge lawsuit greatly limited our ability to raise the necessary funds, but we succeeded, initially in February 2006, through a private placing by a newly formed subsidiary Lansdowne Oil & Gas plc ("Lansdowne"), and later by listing that subsidiary on AIM and raising further funds. Lansdowne now holds all of our remaining Irish acreage, including our interest in Seven Heads oil. The funds raised by Lansdowne amount to over £2.3 million before expenses and ensure that it has the ability to meet its current obligations to the Irish authorities. We had already farmed out our interest in the Frontier Exploration Licence in the Donegal basin, retaining a 19.25 per cent. carried interest, and this asset was also transferred to Lansdowne. Drilling is scheduled to commence next month. At the time of its listing Lansdowne achieved a market capitalisation of £17.7 million with Ramco retaining an interest of 86.25 per cent.

Montenegro

We have been successful in converting our 40 per cent. working interest, which we could not fund, into a carried option, which entitles us to rejoin the project by acquiring an interest of up to 15 per cent. The option can be exercised after a successful well has been drilled. The operator, Jugopetrol Kotor, a subsidiary of Hellenic Petroleum, is negotiating with the newly independent Government of Montenegro with the objective of agreeing a drilling programme in the near future.

Bulgaria

In January 2005 we announced that we had converted our 20 per cent. working interest in the A Lovech block, onshore Bulgaria, into an 11 per cent. interest carried through a planned extensive 3D seismic programme. A change in ultimate ownership of the operator in this project, Anschutz Bulgaria Limited, was the catalyst for a change to the plan for the block, with the objective of accelerating a drilling programme. We have in the past few weeks agreed a revised deal, whereby our interest reverts to its former level of 20 per cent. whilst being fully carried through this year's work programme. The work programme now includes a smaller seismic survey combined with the use of the operator's proprietary technology aimed at firming up a well site for drilling in 2007.

Outlook

We have come a very long way over the past year and now have a new sense of purpose and optimism. Following the sale of our interest in the Seven Heads gas field, the Company is almost debt-free, holds a major asset in the form of Lansdowne shares, where the current market value of our interest is £13 million, and has other exploration interests through which we are largely carried and which have the potential to create additional value.

Our intention now is to pick up where we left off in 2000. Ramco will aim to serve as a vehicle to initiate new ventures, initially as subsidiaries or joint ventures and these may be private or public as in the case of Lansdowne. We are also looking at potential new ventures in the Middle East and Caspian area, where we were a major player throughout the 90s.

Our strategy will be to remain "lean and mean" with a small corporate group that has achieved significant successes, but also one which has been through the wars – an experience that we believe will serve us well for the future.

Stephen E Remp
Chairman

Oil and Gas Interests

Country	Licence	Interest	Operator
Bulgaria	A-Lovech (onshore)	20%	Anschutz
Montenegro	Ulcinj (onshore/offshore)	15%*	JPK
Montenegro	Prevlaka (onshore/offshore)	15%*	JPK
Ireland	Donegal Frontier Exploration Licence	19.25%	Lundin
Ireland	Rosscarbery Licensing Option^	77%	Lansdowne
Ireland	Midleton Licensing Option^	100%	Lansdowne
Ireland	East Kinsale Licensing Option^	100%	Lansdowne
Ireland	Seven Heads Oil Licensing Option^	74%+	Lansdowne

All offshore unless otherwise stated.

* subject to the completion of agreements signed in 2005, otherwise Ramco interest rises to 40% and Ramco reverts to being operator.

+ An option has been granted over this interest, which on completion of an appraisal well, paid for by a third party, may reduce to 29.4%.

^ Held via the Group's 86% interest in Lansdowne Oil & Gas plc.

Financial Review

Description of Business
Ramco Energy plc, a Scottish public limited company, and its subsidiaries, joint venture and associated undertakings form an energy group. The Group disposed of its Oil Service activities towards the end of 2005, and also disposed of its only producing asset, its interest in the Seven Heads gas field, in February 2006. Since then the Company has been focused on its exploration activities. The Company is actively exploring for, and appraising, oil and gas reserves, primarily in Ireland and central and eastern Europe.

The Group's shares and, since 21 April 2006, those of its 86% subsidiary Lansdowne Oil & 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 2005 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 UK Generally Accepted Accounting Principles (GAAP). The key financial data for the last five years is summarised on page 54. Detailed information by business segment can be found in note 2.

Turnover
Consolidated Group turnover for 2005 was £13.7 million down 67% from £41.9 million in 2004.

The revenue from the Oil and Gas division fell by 85% from £32.9 million in 2004 to £4.8 million in 2005. This sharp decline reflected the lower than expected gas production from the Seven Heads gas field. From October 2004 production from the field was set at lower levels to help ensure that contracted deliveries would be met, thus avoiding the high cost of transporting replacement gas as was suffered prior to October 2004.

Oil Services revenues until 16 December 2005, the date on which that division was sold, fell by 2% from £9.1 million last year to £8.9 million in 2005. The trend towards more high value cleaning revenues and away from the lower margin logistics income, highlighted in 2004, continued in 2005.

Cost of Sales
Group cost of sales after exceptional items fell by 83% from £39.8 million in 2004 to £6.9 million in 2005.

Cost of sales relating to the Oil & Gas division in 2005 fell by 98% from £32.1 million in 2004 to £0.6 million in 2005. This large reduction is explained by the impact of exceptional costs of sales relating to the impairment provision against the Seven Heads gas field and the proportion of that provision borne by the finance providers.

Oil Services' cost of sales fell by 19% to £6.2 million in 2004 from £7.7 million in 2004. This reflects the reduced logistics activity levels.

Administrative Expenses
Administrative expenses from the Group rose by 7% from £1.4 million in 2004 to £1.5 million in 2005. Cost savings, including voluntary reductions in Director's salaries, instigated following the recognition of difficulties with the Seven Heads gas field were expected to have resulted in a further reduction in administrative expenses. However, these savings were more than offset by additional professional fees, relating primarily to the abortive merger talks which ended in April 2005.

Income from Interests in Joint Venture and Associated Undertakings
The Group's profit from joint venture and associated undertakings totalled £656,000 compared with a profit of £681,000 in 2004. This was all derived from the Oil Services division and reflects primarily the contribution from the pipe coating venture, British Steel Ramco Pipeline Services Limited, based in Hartlepool, until its disposal on 16 December 2005.

Profit before Interest and Taxation
The Group recorded a profit before interest and taxation of £5.2 million in 2005 compared with a profit of £1.3 million in 2004.

The Oil & Gas division recorded a pre-tax profit of £3.1 million in 2005 compared with a pre-tax loss of £0.3 million in 2004. This includes other income from the rental of a building of £103,000 (2004: £nil).

Pre-tax profit from the Oil Services division, until its disposal on 16 December 2005, including the Group's share of joint venture and associated undertaking, increased by 31% to £2.1 million compared with £1.6 million in 2004.

Net Interest

Net Interest payable of £3.3 million was recorded in 2005 compared with net interest payable of £4.6 million in 2004. The reduced charge is mainly due to the write off of the mezzanine portion of the non-recourse loan.

Taxation

A tax charge of £84,000 was recorded in 2005 compared to a tax charge of £91,000 in 2004 (see note 8).

Profit for the Financial Year

A profit for the financial year of £1.8 million was recorded in 2005 compared with a loss of £3.4 million in 2004 for the reasons outlined above.

Balance Sheet

The Group and Company balance sheets as at 31 December 2005 are shown on page 21. Group net assets have increased from £4.5 million at 31 December 2004 to £7.3 million at 31 December 2005. This movement arose primarily as a result of the profit for the year and the issue of new shares during the year. At 31 December 2005, the Group held £4.8 million as cash or short term deposits. Of this total £2.9 million was ring fenced and repaid to the Group's lenders in February 2006.

The bank loans relating to the Seven Heads gas field totalled £68.6 million and were split as follows; £12 million recourse and secured against the Group's Oil Services business and the balance non-recourse secured only against the Group's interest in the Seven Heads gas field.

The recourse loan was repaid in full in December 2005, following the sale of the Group's Oil Services business. Part of the proceeds were also used to reduce the Seven Heads project related debt due to Schlumberger, of which £0.9 million remains payable. Under the agreement signed with Schlumberger in June 2005, they have the option of requesting Ramco Energy plc to issue new shares in the Company to them to retire the outstanding debt.

The non-recourse debt was reduced in February 2006 when the Group subsidiary holding the interest in the Seven Heads gas field was sold to Marathon International Petroleum Hibernia Limited, with all proceeds flowing to the lender. A possible further payment of £124,000 may become payable to the lenders contingent on there being sufficient tax losses which can be surrendered to the Oil Services business sold in December 2005. The mezzanine part of the non-recourse finance (£8.6 million) was written off at that time.

Cash Flow from Operations

As indicated by the consolidated cash flow statement on page 22, the Group's net cash inflow from operating activities was £3.5 million and £6.7 million for the years ended 31 December 2005 and 2004 respectively.

Cash Flows Related to Taxation and Investing and Financing Activities

The Group paid amounts in respect of overseas taxes of £27,000 in 2005 and £170,000 in 2004. In 2005 and 2004 the Group invested approximately £216,000 and £86,000 respectively in fixed assets. Fixed asset purchases in 2005 related primarily to the oil services division. Also in connection with its Oil and Gas operations, the Company invested £0.4 million in 2005 and £1.4 million in 2004.

Future Capital Requirements

The Group's current prospects are all in the exploration or appraisal stages and do not contain any proven reserves. The work commitments related to these prospects have either been farmed out or are within our funding resources.

The lower than expected cash flow from the Seven Heads gas field caused the Group to reduce its expenditure on its exploration assets. As a result the focus during the last 24 months has been on farming out our exploration assets, retaining an upside participation whilst passing much of the exploration costs to third parties. A number of farm-out deals have been successfully completed. The Group's remaining exploration assets in Ireland have, since the start of 2006, been transferred under a new subsidiary, Lansdowne Oil & Gas plc ("Lansdowne"). Lansdowne has completed two fundraisings since February 2006, raising a total of £2.3 million before expenses to ensure it has access to the funds necessary to complete its work programme obligations.

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 order to reduce the exposure to these risks and as a requirement of the finance arrangements, Ramco Seven Heads Limited entered into interest rate swaps and gas price hedges. The variable interest rate on £30 million, or half of the main loan facility, was swapped for a fixed rate and the variable gas price receivable on daily gas sales of 225,000 therms has been hedged, ensuring a fixed price for that quantity of gas for each of the three years commencing 1 January 2004. Details of these arrangements, all of which have now been closed out, can be found in note 23. In the normal course of business the Group also faces certain other non-financial or non-quantifiable risks. These are not discussed here. 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
2001	1.46	1.44	1.49	1.41
2002	1.61	1.51	1.61	1.41
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**

Euro/Sterling Exchange Rates

(Euro per Pound Sterling)

	At end of period	Average rate[1]	High	Low
2001	1.63	1.62	1.67	1.58
2002	1.53	1.59	1.63	1.53
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**

[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 1.

Christopher G Moar
Company Secretary
29 June 2006

Board of Directors

Stephen Remp BA MA Hon D Tech
Executive Chairman Aged 59
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.

N Stewart Cumming
Non-Executive Director Aged 57
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 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, since then he has been a Non-Executive Director. Stewart was educated at Selborne College and the Witwatersrand Technical College in South Africa.

Steven Bertram
MA (Hons) CA Dip BA
Managing Director Aged 46
Appointed March 1991. Steven has been with Ramco since 1986 and has guided Ramco's financial affairs since its USM listing through its move to AIM. Steven has an MA Honours Degree in Economics with Accountancy from the University of Aberdeen and qualified as a Chartered Accountant with Arthur Young in 1984. Steven was Group Financial Director until June 2005.

Malcolm Hay MA
Non Executive Director Aged 50
Appointed June 2005. Malcolm brings over 20 years experience in investment banking to the Board. Between 1985 and 2001 he was a director at Credit Suisse First Boston where he led the Canadian, Australian and UK capital markets teams. Currently, he is an associate with investment managers McInroy & Wood and manages his own 2,000 hectare estate. Malcolm is Chairman of the Audit, Remuneration and Nominations Committees.

ANNUAL REPORT & FINANCIAL STATEMENTS 2005

Report of the Directors

The Directors submit their report and audited Group financial statements for the year ended 31 December 2005.

Review of the business, principal activities and future developments

The principal activities of the Group are the exploration, and appraisal of hydrocarbons. The activities of the subsidiaries, joint venture and associates are detailed in note 28 to the financial statements. Reviews of current and future developments of the Company, its subsidiaries, joint venture and associates are given in the Chairman's Statement, and in the Financial Review.

Results and dividends

The Group consolidated profit and loss account set out on page 20 shows a profit on ordinary activities before tax of £1.9 million (2004 – loss £3.3 million). After tax the Group profit for the year was £1.8 million (2004 – loss £3.4 million).

The Directors do not recommend the payment of a dividend (2004 – nil per share) and £1.8 million will be added to the Group's reserves.

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 for suitable work.

Directors

Biographies of the present Directors of the Company are listed on page 8. In addition Dennis Paterson served as a Non-Executive Director from 28 April 2005 until 9 June 2006, and Dan Stover was an Executive Director until 21 June 2005. Sir Malcolm Rifkind, Vikram Lall and Peter Everett all served as Non-Executive Directors until 28 April 2005.

In accordance with the Company's Articles of Association, Steve Remp retires by rotation and being eligible offers himself for re-election. Steve Remp has a service contract with an unexpired notice period of one year. 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 15 to 17.

Substantial shareholders

The Directors have been notified of the following interests in 3% or more of the Company's issued share capital at 15 June 2006:

Name of member	No. of shares	% of capital
Directors	4,749,695	13.56
Artemis	3,225,000	9.20
LC Capital Master Fund	1,702,380	4.86

Share capital

Details of allotments made during the year and between 1 January 2006 and 15 June 2006 are given in note 18 to the financial statements.

Creditor payment policy
The Company's current 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. UK subsidiaries follow the same policy. The Company's average creditor payment period at 31 December 2005 was 59 days (2004: 61 days).

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.

Charitable contributions
Contributions made by the Group during the year for charitable purposes were £ nil (2004 – £ nil).

AGM special business
The Annual General Meeting (AGM) will commence at 12.30 p.m. on 31 July 2006 at The Queen's Hotel, Aberdeen.

In addition to the routine business of the AGM, there are three items of Special Business detailed in the Notice of Meeting as Resolution numbers 4 to 6.

Resolution 4 authorises the Directors to allot unissued shares in the capital of the Company.

Resolution 5 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 £351,000 (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 6 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
Company Secretary
29 June 2006

Corporate Governance

Ramco recognises the importance of, and is committed to, the highest standards of corporate governance. Ramco, as an AIM company, is not required to comply with the Combined Code on Corporate Governance, although it has applied the majority of the Combined Code principles as follows:

Directors
The Board comprises two Executive Directors and two Non-Executive Directors. Biographies of the Directors are presented on page 8. Malcolm Hay is the senior Non-Executive Director. Prior to 9 June 2006 when Dennis Paterson retired, there were three Non-Executive Directors. It is the intention of the Board to identify and appoint a third 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. All Directors have full and timely access to information and may take independent professional advice at the Group's expense.

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. Both are chaired by Malcolm Hay and the other member is N Stewart Cumming. Dennis Paterson served as a member of these committees until he resigned on 9 June 2006.

Audit Committee
The Audit Committee is responsible for providing an independent oversight of the Group's systems of internal control and financial reporting processes. The Audit Committee meets at least twice a year and the External Auditors and other 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 3 on page 28. The Committee is satisfied that PricewaterhouseCoopers LLP are independent.

The Group does not have an internal audit function but the need for such a function is reviewed at least annually and management actively participates in, and encourages audits of, the Group's joint venture activities. 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 meets at least twice a year and determines the remuneration of the Executive Directors and advises the Board on incentive schemes for employees. The Remuneration Report is presented on page 15 to 17 and contains a statement of remuneration policy and details of the remuneration of each Director.

Nominations Committee
The Nominations Committee is chaired by Malcolm Hay and meets as required. The other members are N Stewart Cumming and Steve Remp.

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 10.

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 from each business area and major project identify their 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. This process is reviewed by the Board annually and accords with the Turnbull guidance on internal control. It has been in place throughout the year under review and up to the date of this report.

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 for all business units, 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.

The Directors have reassessed the effectiveness of the Group's system of internal control with regard to the current reduced level of activity.

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. 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. 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.

Compliance with the Combined Code
As mentioned above, Ramco, as an AIM listed company, is not required to comply with the July 2003 Combined Code on Corporate Governance. The Group has applied the Combined Code principles with two exceptions. The roles of Chairman and Chief Executive were until 22 June 2005 both filled by Steve Remp. From that date Steven Bertram has been Managing Director and Steve Remp, Chairman. Prior to the appointment of N. Stewart Cumming as a Non-Executive Director on 17 December 2005 and from 9 June 2006, when Dennis Paterson resigned as a Non-executive Director, the Company had only two Non-Executive Directors. Given his long history as an employee and Executive Director of the Company, N Stewart Cumming, is not considered to be an independent Non-Executive Director. It is the intention of the Board to identify and appoint a third Non-Executive Director.

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 2005 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 web site 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 web site.

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 Director's 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.

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 cashflows take into account the proceeds from the sale of the building and indicate that the Group will have adequate cash resources to meet its obligations as they fall due. For these reasons, the Directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

If for any reason the cash flow assumptions proved to be invalid, 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.

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. Ramco, as an AIM company, is not required to comply with these requirements but has done so as it 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

The members of the Remuneration Committee (The Committee) are Malcolm Hay (Chairman) and N Stewart Cumming, both of whom are Non-Executive Directors of the Company. 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

Both of 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. Steve Remp and Steven Bertram voluntarily waived contractual salary entitlements of £198,000 and £27,000 respectively for 2005. Their pension contributions were reduced pro rata.

Performance related profit bonuses are calculated as a percentage of the after tax profit of the division or divisions for which each Executive Director performs duties. They are payable following certification of the Group results by the Auditors for each year, although interim payments can be approved where established businesses are involved. 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 Bonus	Disposal Bonus	Division
S E Remp	4.0%	4.0%	All
S R Bertram	1.625%	1.625%	All
N S Cumming	2.5%	3.95%	Oil Services

Steve Remp and Steven Bertram earned a profit bonus on the Group profit for the year and a disposal bonus on the sale of ROSL during 2005, under their contracts as detailed below. These have been accrued in 2005 but both Directors have agreed to defer payment.

Audited Information

Directors' detailed emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate emoluments £'000	2005 Pension contributions £'000	2004 Pension contributions £'000	2005 Total £'000	2004 Total £'000
Executive directors								
S E Remp	285	362	4	651	61	104	712	613
S R Bertram	173	147	1	321	26	28	347	230
N S Cumming	170	282	22	474	25	26	499	262
D F Stover [2]	113	–	1	114	17	36	131	285
Non-executive directors								
P Everett [1]	8	–	–	8	–	–	8	25
Sir M Rifkind[1]	8	–	–	8	–	–	8	25
V Lall [1]	8	–	–	8	–	–	8	25
D Paterson[3]	17	–	–	17	–	–	17	–
M Hay[4]	13	–	–	13	–	–	13	–
2005	795	791	28	1,614	129		1,743	
2004	1,170	36	65	1,271		194		1,465

1. Resigned 28 April 2005
2. Resigned 21 June 2005
3. Appointed 28 April 2005 and resigned 9 June 2006
4. Appointed 22 June 2005

Interests in share options

	Exercise price	At 31 Dec 2004	Granted	Cancelled	At 31 Dec 2005	Normal exercise dates
S E Remp	675p	**132,500**	–	–	**132,500**	30/4/01 – 29/4/08
S E Remp	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
S R Bertram	347.5p	**26,660**	–	–	**26,660**	11/5/04 – 10/5/11
S R Bertram	347.5p	**35,340**	–	–	**35,340**	11/5/06 – 10/5/11
S R Bertram	34p	**–**	150,000	–	**150,000**	30/7/08 – 29/7/15
N S Cumming	755p	**33,000**	–	–	**33,000**	7/11/99 – 6/11/06
N S Cumming	675p	**13,500**	–	–	**13,500**	05/5/01 – 04/5/08
N S Cumming	347.5p	**23,005**	–	–	**23,005**	11/5/04 – 10/5/11
N S Cumming	347.5p	**30,495**	–	–	**30,495**	11/5/06 – 10/5/11
N S Cumming	34p	**–**	70,000	–	**70,000**	30/7/08 – 29/7/15
M Hay	34p	**–**	70,000	–	**70,000**	30/7/08 – 29/7/15
D F Stover	347.5p	**43,000**	–	–	**43,000***	11/5/04 – 10/5/11
D F Stover	347.5p	**57,000**	–	–	**57,000***	11/5/06 – 10/5/11
P Everett	347.5p	**30,000**	–	(30,000)	**–**	–
Sir M Rifkind	347.5p	**30,000**	–	(30,000)	**–**	–
D Paterson	34p	**–**	70,000	–	**70,000***	30/7/08 – 29/7/15
		492,500	660,000	(60,000)	**1,092,500**	

*At date of resignation.

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 19 to the accounts. During 2005 the share price ranged between a high of 56.5p and a low of 23.5p. The quarterly highest and lowest closing share prices are detailed in note 18.

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 2004	At 31 Dec 2005	At 15 June 2006
S E Remp	3,336,346	**3,335,346**	**4,256,068**
S R Bertram	140,000	**140,000**	**140,000**
N S Cumming	327,000	**327,000**	**327,000**
M Hay (appointed 22 June 2005)	–	**26,627**	**26,627**
D Paterson (appointed 28 April 2005, resigned 9 June 2006)	–	**–**	**–***
P Everett (resigned 28/4/05)	21,743	**21,743***	**–**
Sir M Rifkind (resigned 28/4/05)	1,300	**1,300***	**–**
D F Stover (resigned 21/6/05)	1,000	**1,000***	**–**
V Lall (resigned 28/4/05)	–	**–***	**–**
	3,827,389	**3,853,016**	**4,749,695**

*At date of resignation

Pensions

Directors' pensions are based on salary only, with bonuses and other discretionary benefits excluded.

As at 31 December 2005

Retirement benefits were accruing to the two Executive Directors (2004: Four Directors) under the Group's defined contribution schemes.

The Chairman is a member of a non-contributory scheme where Company contributions are currently at a rate of 22.2% of salary. This benefit will continue for as long as he is employed by the Group.

The other Executive Director belongs to a non-contributory scheme where the Company contributes at a rate of 15% of salary.

M Hay
Chairman, Remuneration Committee
29 June 2006

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 2005 which comprise of the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited 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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code 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 group's corporate governance procedures or its risk and control procedures.

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 unaudited part of the Directors' Remuneration Report, the Chairman's Statement, 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.

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 judgments 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.

Emphasis of Matter - Going Concern

In forming our opinion, 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 achievement of assumptions contained in the Group's cash flow forecast. Should these assumptions not be achieved the going concern basis of preparation 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.

Our opinion is not qualified in this respect.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended; and
- 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
29 June 2006

Consolidated Profit and Loss Account

For the year ended 31 December 2005

	Notes	2005 Continuing operations £000	2005 Dis-continued operations £000	2005 Total £000	2004 Continuing operations £000	2004 Dis-continued operations £000	2004 Total restated £000
Turnover – Group and share of joint venture and associates	2	–	17,212	17,212	–	45,568	45,568
Less share of joint venture and associates		–	(3,548)	(3,548)	–	(3,641)	(3,641)
Group turnover	2	–	13,664	13,664	–	41,927	41,927
Cost of sales before exceptional item		(475)	(22,060)	(22,535)	1,071	(46,590)	(45,519)
Exceptional item	5	–	15,681	15,681	–	5,714	5,714
Cost of sales after exceptional item		(475)	(6,379)	(6,854)	1,071	(40,876)	(39,805)
Gross (loss)/profit		(475)	7,285	6,810	1,071	1,051	2,122
Administrative expenses		(1,030)	(445)	(1,475)	(995)	(426)	(1,421)
(Loss)/profit on exchange		(2)	–	(2)	(233)	130	(103)
Group operating (loss)/profit		(1,507)	6,840	5,333	(157)	755	598
Exceptional item	6	–	(809)	(809)	–	–	–
Share of operating profit in joint venture and associates	2	–	656	656	–	681	681
(Loss)/profit before interest and taxation		(1,507)	6,687	5,180	(157)	1,436	1,279
Net Interest payable	7			(3,290)			(4,565)
Profit/(loss) on ordinary activities before taxation	2			1,890			(3,286)
Tax charge on profit/(loss) on ordinary activities	8			(84)			(91)
Profit/(loss) for the financial year	20			1,806			(3,377)
Profit/(loss) per ordinary share – basic and fully diluted							
On profit/(loss) for the financial year	9			5.7p			(11.2)p

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the year stated above, and their historical cost equivalents.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit/(loss) for the financial year	1,806	(3,377)
Unrealised translation differences on foreign currency net investments	–	16
Total recognised profit/(loss) relating to the year	1,806	(3,361)

The notes on pages 23 to 53 form part of these financial statements.

Balance Sheets

As at 31 December 2005

	Note	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Fixed assets					
Intangible assets	10	**6,278**	5,906	**–**	–
Other tangible fixed assets	11	**11,567**	16,706	**1,514**	1,654
Investments					
Share of joint venture's gross assets		**–**	2,575	**–**	–
Share of joint venture's gross liabilities		**–**	(1,503)	**–**	–
Share of joint venture's net assets		**–**	1,072	**–**	–
In subsidiaries		**–**	–	**–**	3,000
In associated undertakings		**–**	80	**–**	–
Other fixed asset investments		**–**	2	**–**	2
Total investments	12	**–**	1,154	**–**	3,002
		17,845	23,766	**1,514**	4,656
Current assets					
Stocks	13	**–**	2,331	**–**	–
Debtors: amounts falling due within one year	14	**1,648**	5,203	**264**	2,279
Cash at bank and in hand		**4,799**	3,265	**1,311**	119
		6,447	10,799	**1,575**	2,398
Creditors: amounts falling due within one year	15	**(11,618)**	(24,808)	**(1,299)**	(760)
Net current (liabilities)/assets		**(5,171)**	(14,009)	**276**	1,638
Total assets less current liabilities		**12,674**	9,757	**1,790**	6,294
Provision for liabilities and charges	17	**(5,385)**	(5,274)	**(26)**	(38)
Net assets		**7,289**	4,483	**1,764**	6,256
Capital and reserves					
Called up share capital	18	**3,314**	3,014	**3,314**	3,014
Share premium account	20	**69,294**	68,576	**69,294**	68,576
Revaluation reserve	20	**–**	752	**–**	–
Other reserves	20	**–**	(21)	**–**	–
Profit and loss account	20	**(65,319)**	(67,838)	**(70,844)**	(65,334)
Equity shareholders' funds	21	**7,289**	4,483	**1,764**	6,256

These financial statements were approved by the Board of Directors on 29 June 2006.

The notes on pages 23 to 53 form part of these financial statements.

S E Remp
Executive Chairman

S R Bertram
Managing Director

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	26(a)	**3,542**	6,728
Returns on investments and servicing of finance			
Interest received		**147**	376
Interest paid		**(785)**	(3,994)
Net cash outflow from returns on investments and servicing of finance		**(638)**	(3,618)
Taxation			
Overseas corporation tax paid		**(27)**	(170)
Taxation paid		**(27)**	(170)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(216)**	(86)
Sale of tangible fixed assets		**9**	54
Oil and gas expenditure – intangible assets		**(372)**	(1,370)
Oil and gas expenditure – producing assets		**–**	(10,202)
Receipt of sale of other fixed asset investments		**144**	42
Net cash outflow for capital expenditure and financial investment		**(435)**	(11,562)
Disposal			
Net proceeds from sale of subsidiary		**11,801**	–
Net cash inflow from disposal	26(d)	**11,801**	–
Net cash inflow/(outflow) before financing		**14,243**	(8,622)
Financing			
Issue of share capital		**1,018**	–
(Decrease)/increase in debt		**(13,727)**	8,600
Net cash (outflow)/inflow from financing		**(12,709)**	8,600
Increase/(decrease) in cash	26(b)	**1,534**	(22)

The notes on pages 23 to 53 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2005

1 Presentation of Accounts and Accounting Policies

Description of business

Ramco Energy plc is an international energy company which until 16 December 2005, operated through two divisions. The Oil and Gas division actively explores for and develops oil and gas reserves, primarily in Ireland and central and eastern Europe. The Oil Services division, which was sold on 16 December 2005, specialised in downhole tubular maintenance and pipeline coatings, operating in the UK, Norway and Japan. It was sold in order to repay the recourse part of the project finance, (see note 6).

Composition of accounts

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles and the Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. A summary of the more important accounting policies is set out below, these have been applied consistently.

Accounting policies

Basis of presentation

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 Group balance sheet as at 31 December 2005 shows net current liabilities of £5.2 million. However, the Director's consider that it is appropriate to adopt a going concern assumption in preparing these financial statements as the following significant developments occurred after the balance sheet date:

(i) The bank loan of £8.2 million shown in Creditors (amounts falling due within one year) was repaid in February 2006 following the sale of the Group's interest in the Seven Heads gas field. This loan repayment was sufficient to return the Group balance sheet to positive net current assets.

(ii) As described in note 18, the Company has issued new shares raising additional funding of £298,000.

(iii) The Group successfully completed the listing of their subsidiary Lansdowne Oil & Gas plc on the Alternative Investment Market (AIM). The Group owns 86.25% of Lansdowne Oil and Gas plc, which has a current market value of £13 million.

(iv) In June 2006, the Fourteenth Court of Appeals in Texas reversed the trial court's judgement in respect of the Tenge lawsuit. This decision resulted in all arrestments and inhibitions, that had previously been placed on the Group, being lifted. As a result, missives have now been completed for the sale of the Company's head office building in Aberdeen. The £1.5m of funds from this sale are expected to be received before the end of June.

(v) The Directors are currently reviewing a number of alternative funding arrangements to allow the Group to exploit its development opportunities.

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 cashflows take into account the proceeds from the sale of the building and indicate that the Group will have adequate cash resources to meet its obligations as they fall due. For these reasons, the Directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

If for any reason the cashflow assumptions proved to be invalid, 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.

Basis of accounting

These financial statements are prepared under the historical cost convention modified to incorporate the revaluation of certain fixed assets. In accordance with AIM rules the Group will be adopting International Accounting Standards as from 1 January 2007. The Group is currently in the process of assessing the impact these will have on its financial statements.

1 Presentation of Accounts and Accounting Policies *continued*

Basis of consolidation

These financial statements consolidate the financial accounts of Ramco Energy plc and all of its subsidiaries, made up to 31 December each year. No profit and loss account is presented for Ramco Energy plc as permitted by Section 230 of the Companies Act 1985. Transactions and balances between subsidiary undertakings are eliminated; no profit is recognised on sales between subsidiary undertakings. Shares in Group undertakings are held as fixed assets and shown at cost less an appropriate provision where the Directors consider that an impairment in the value of the investment has occurred.

Undertakings, other than subsidiaries, in which the Group has an investment over which it exerts significant influence are defined as joint venture or associated undertakings.

Where the Group owns a long term investment of 50% jointly with another party this investment is defined as a joint venture and accounted for using the gross equity method. The consolidated financial statements include the appropriate share of these undertakings' results and net assets based on financial statements to 31 December. In addition the Group's share of turnover, operating profit and taxation relating to joint ventures and associates is separately disclosed. Further disclosures as required by FRS 9 are provided where appropriate and in particular in note 12.

Goodwill

Goodwill arising on acquisition represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries, joint ventures and associates is capitalised and written off to the profit and loss account over its expected useful life (BSR joint venture - 10 years).

Fixed assets

Oil and gas interests

Exploration and appraisal costs are accounted for under the successful efforts method of accounting. All costs incurred prior to the acquisition of licences are written off to the profit and loss account when incurred. Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible fixed assets, pending determination of the existence of commercial reserves in the licence area. If commercial reserves are determined to exist, then these costs are transferred to tangible assets, otherwise the costs are written off to the profit and loss account in the period in which the evaluation is made.

Development expenditure comprises all costs incurred in bringing a field to commercial production, including financing costs. All development costs are capitalised as tangible fixed assets. Once commercial production commences, tangible fixed assets are depleted field by field using the unit-of-production method, based on commercial proven and probable reserves.

The carrying amounts of fixed assets are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Fixed assets are regarded as impaired if their recoverable amount falls below their carrying value. Impairment losses are charged to the profit and loss account unless they arise on previously revalued assets, in which case they are recognised in the statement of total recognised gains and losses to the amount of the revaluation and thereafter in profit and loss account.

Decommissioning

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount recognised is the present value of the estimated future restoration cost. An offsetting tangible fixed asset is also recognised. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future restoration cost are accounted for as adjustments to the provision and fixed asset.

Other activities

The cost of tangible fixed assets is purchase cost together with any incidental expenses of acquisition. The Group's freehold land and buildings were valued on an open market basis for existing use on 31 December 1999 by Smith Milligan, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the UK. These valuations were incorporated into the financial statements and the resulting revaluation adjustments taken to the revaluation reserve (note 20). As allowed by FRS 15 the Group elected to freeze the valuation at that date. Subsequent additions are included at cost. Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Freehold buildings	2% to 7.5%
Long leasehold buildings	10%
Plant, fixtures and equipment	10% to 25% or Pipe Care Units – 120 operating months.

As fixed assets are retired, the cost or revalued amount, whichever is applicable, and accumulated depreciation relating to the fixed asset are removed from the balance sheet.

Leases

(i) As lessor

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

(ii) As lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value on a FIFO basis of accounting.

Taxation

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

Deferred tax is recognised in respect of all timing 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. Timing 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 timing 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.

Turnover

Turnover, which excludes value added tax and sales between Group companies, represents the invoiced value of goods and services supplied.

1 Presentation of Accounts and Accounting Policies *continued*

Revenue recognition
Revenue associated with the development and production of hydrocarbons for those projects where the Group shares the interest with other parties is recorded on the basis of the Group's net working interest.

The Group's share of any test production for wells under appraisal is recognised as turnover with an equal amount being charged to cost of sales and credited against intangible assets so that a zero margin is recorded in line with the Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'.

Revenue associated with the provision of tubular services and pipeline coating is recognised upon completion of appropriate certification procedures and customer acceptance.

Foreign currency
Monetary assets and liabilities denominated in foreign currencies are translated 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 profit and loss account. The financial statements of overseas subsidiaries and associated undertakings are translated 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 other reserves.

Financial instruments and risk management
The Group's multinational operations and debt financing 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.

The Group has adopted FRS 25 Financial Instruments: Disclosure and Presentation during the year. In accordance with the transitional rules for FRS 25, the exemption regarding comparatives has been taken. For further details see note 23.

a) Foreign currency risk
Although the Group reports in Sterling, elements of its business are conducted in US Dollars and Euros. The Group manages these, and other exposures that arise from receipt of revenues in foreign currencies, by matching receipts and payments in the same currency and actively managing the residual net position. US Dollar revenue generated by the Group is currently used to meet the US Dollar costs of the Oil and Gas division.

b) Interest rate risk
The Group manages its interest rate risk by using interest rate hedges to minimise the risk of changing interest rates. The Group has used interest rate swaps as cash flow hedges of future interest payments which have the effect of increasing the proportion of fixed interest debt.

c) Credit risk
The Group has no significant credit risk.

d) Commodity price risk
During the period that the Seven Heads gas field has been in production the Group has been exposed to movements in the price of natural gas. Hedges were put in place to minimise the exposure with rates fixed for the first three years production 2004 to 2006. The risk associated with future projects will be assessed on a project by project basis and appropriate hedges may be used.

Comparative Period
Due to the fall in production of the Seven Heads gas field the Directors consider that it is more appropriate to show the hedge costs in the cost of sales rather than turnover. The prior periods have been restated to reflect this with no effect on the gross profit or net loss.

2 Segmental Reporting

The analysis by both business and geographical segments of the Group's turnover, profit/(loss) before taxation and net assets are set out below:

	Oil and Gas		Oil Services		Total	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000	**2005 £'000**	2004 £'000
Turnover by origin						
United Kingdom	**–**	–	**9,629**	10,232	**9,629**	10,232
Norway	**–**	–	**2,174**	2,008	**2,174**	2,008
Asia	**–**	–	**622**	467	**622**	467
Ireland	**4,787**	32,861	**–**	–	**4,787**	32,861
	4,787	32,861	**12,425**	12,707	**17,212**	45,568
Less joint venture and associates (UK)	**–**	–	**(3,548)**	(3,641)	**(3,548)**	(3,641)
Group turnover	**4,787**	32,861	**8,877**	9,066	**13,664**	41,927
Profit/(loss) before taxation						
Central and eastern Europe	**(11)**	327	**–**	–	**(11)**	327
United Kingdom	**9,880**	39,814	**2,313**	1,203	**12,193**	41,017
Ireland	**(5,668)**	(39,663)	**–**	–	**(5,668)**	(39,663)
Norway	**–**	–	**866**	813	**866**	813
Rest of Europe	**(53)**	251	**–**	–	**(53)**	251
Asia	**–**	–	**139**	58	**139**	58
	4,148	729	**3,318**	2,074	**7,466**	2,803
Less joint venture and associates	**–**	–	**(656)**	(681)	**(656)**	(681)
Gross profit	**4,148**	729	**2,662**	1,393	**6,810**	2,122
Joint venture and associates	**–**	–	**656**	681	**656**	681
	4,148	729	**3,318**	2,074	**7,466**	2,803
Administrative expenses	**(1,030)**	(995)	**(445)**	(426)	**(1,475)**	(1,421)
Exceptional item	**–**	–	**(809)**	–	**(809)**	–
(Loss)/profit on exchange	**(38)**	(53)	**36**	(50)	**(2)**	(103)
Profit/(loss) before interest and taxation	**3,080**	(319)	**2,100**	1,598	**5,180**	1,279
Net interest					**(3,290)**	(4,565)
Profit/(loss) before taxation					**1,890**	(3,286)

The Ramco Oil Services sub group was sold in December 2005 and so this part of the business is classed as discontinued.

The turnover for the oil and gas division relates to the Seven Heads gas field which was sold after the year end. This has been included in discontinued operations in the profit and loss account. A proportion of the administrative expenses for the oil and gas division are also included in discontinued operations.

2 Segmental Reporting *continued*

Net assets

	Oil and Gas		Oil Services		Total	
	2005	2004	**2005**	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Azerbaijan	**169**	310	**–**	–	**169**	310
Central and eastern Europe	**5,510**	5,425	**–**	–	**5,510**	5,425
United Kingdom	**(4,052)**	(13,513)	**–**	9,302	**(4,052)**	(4,211)
Ireland	**5,659**	1,053	**–**	–	**5,659**	1,053
Norway	**–**	–	**–**	1,461	**–**	1,461
Rest of Europe	**3**	294	**–**	–	**3**	294
Asia	**–**	–	**–**	151	**–**	151
	7,289	(6,431)	**–**	10,914	**7,289**	4,483

The net liabilities for the UK represent the project finance which is due to a UK lender. The finance related to the Seven Heads gas field is shown in Ireland above.

The above analysis is based on the Group's management structure. There is no turnover between segments.

Turnover by destination is not materially different to turnover by origin.

3 Group Operating Profit/(Loss)

	2005	2004
	£'000	£'000
This is stated after charging:		
Depreciation of tangible fixed assets	**1,132**	9,637
Amortisation of goodwill – joint venture	**30**	30
Operating lease rentals – land and buildings	**163**	155
Operating lease rentals – plant, fixtures and equipment	**343**	290
Gain on sale of other fixed asset investments	**142**	–
(Gains)/loss on disposal of tangible fixed assets	**(9)**	37
Auditors' remuneration for – Audit (Company: £56,000; 2004: £35,000)	**122**	148

During the year the Group obtained the following non-audit services from the Auditors:	**2005**	2004
	£'000	£'000
Tax services – advisory	**48**	71
– compliance	**183**	133
Other services	**138**	–
	369	204

4 Employees and Directors

The average monthly number of employees including Executive Directors during the year:	**2005**	2004
	Number	Number
Oil Services	**94**	89
Oil and Gas	**6**	8
Head office and management	**6**	10
	106	107

	2005	2004
	£'000	£'000
Staff costs during the year amounted to:		
Wages and salaries	**3,948**	4,060
Social security costs	**418**	464
Other pension costs (note 22)	**292**	347
	4,658	4,871

5 Exceptional Item – Seven Heads

	2005 £'000	2004 £'000
Impairment provision – Seven Heads	**634**	47,698
Reversal of impairment provision – Seven Heads	**(5,485)**	–
Impairment borne by finance provider	**(10,830)**	(53,412)
Mezzanine finance written off	**(8,600)**	–
Reversal of impairment borne by finance provider	**8,600**	–
	(15,681)	(5,714)

In accordance with the SORP further impairment in the carrying value of Seven Heads is being borne by the non-recourse finance provider, resulting in a credit of £10.8 million (2004: £53.4 million).

The impairment provision against the asset was made in 2004 (£47.7 million) and there was a net reversal in 2005 (£4.9 million) to reflect the net realisable value of the asset on disposal.

6 Exceptional Item – Disposal of Subsidiary

	2005 £'000	2004 £'000
Loss on sale of subsidiary	**809**	–

On 16 December 2005 the Group sold Ramco Oil Services Limited together with its subsidiaries for £12.6 million in cash, after costs. The ROSL sub group provided downhole tubular maintenance and pipeline coating services and the disposal of ROSL sub group ceased the Ramco Group's involvement in these activities. As a result of the material change in the nature and focus of the Group's operations that this disposal represented, it has been treated as a discontinued operation in the profit and loss account (see note 26(d)).

7 Net Interest Payable

	2005 £'000	2004 £'000
Receivable		
Bank interest	**137**	146
Other	**10**	230
	147	376
Payable		
Bank interest	**(3,102)**	(4,112)
Unwinding discount on decommissioning provision	**(326)**	(358)
Other	**(9)**	(471)
	(3,437)	(4,941)
Net interest payable	**(3,290)**	(4,565)

8 Taxation

Analysis of charge in period	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Current tax:				
UK corporation tax at 30% (2004: 30%)	**(290)**		220	
Double taxation relief	**–**		(220)	
Share of joint venture and associates	**191**		196	
Adjustments in respect of previous periods	**(31)**		(91)	
		(130)		105
Foreign corporation tax		**155**		278
Total current tax		**25**		383
Deferred tax:				
Origination and reversal of timing differences	**85**		(292)	
Adjustments in respect of previous periods	**(26)**		–	
Total deferred tax		**59**		(292)
Tax on profit/(loss) on ordinary activities		**84**		91

The tax credit 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	2005 £'000	2004 £'000
Profit/(loss) on ordinary activities before tax	**1,890**	(3,286)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	**567**	(986)
Effects of:		
Expenses not deductible for tax purposes	**560**	1,106
Capital allowances in excess of depreciation/other timing differences	**350**	(956)
Balancing allowances and losses available to Ramco Celtic Sea Limited	**(30,571)**	–
Foreign taxes	**(184)**	(194)
Unrecognised tax losses	**–**	1,521
Adjustments to tax in respect of prior period	**(31)**	(91)
Rate difference	**–**	(17)
Provision movement	**1,555**	–
Heldover gain coming back into charge	**27,779**	–
	25	383

The prior year deferred tax disclosures included a potential deferred tax liability relating to the disposal of the ACG interest in 2000. This liability was heldover against expenditure incurred developing the Seven Heads interest. The disposal of the Seven Heads interest by Ramco Seven Heads Limited and Northern Exploration Limited to Ramco Celtic Sea Limited caused the heldover gain to crystallise, but also caused significant UK tax losses to be generated. The UK tax losses generated have largely been utilised offsetting the heldover gain, such that no tax liability arises on the heldover gain in 2005 and no further potential liability exists at 31 December 2005.

9 Earnings/(Loss) Per Share

Basic and fully diluted earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit for the financial year of £1.8 million (2004: loss of £3.4 million) and 31,714,576 (2004: 30,144,713) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2005			2004		
	Continuing operations £000	Dis-continued operations £000	Total £000	Continuing operations £000	Dis-continued operations £000	Total restated £000
Profit/(loss) before interest and taxation	**(1,507)**	**6,687**	**5,180**	(157)	1,436	1,279
Net interest	**18**	**(3,308)**	**(3,290)**	301	(4,866)	(4,565)
Profit/(loss) on ordinary activities before taxation	**(1,489)**	**3,379**	**1,890**	144	(3,430)	(3,286)
Tax (charge)/credit on profit/(loss) on ordinary activities	**(21)**	**(63)**	**(84)**	552	(643)	(91)
Profit/(loss) for the financial year	**(1,510)**	**3,316**	**1,806**	696	(4,073)	(3,377)
Profit/(loss) per ordinary share – basic and fully diluted on profit/(loss) for the financial year	**(4.8)p**	**10.5p**	**5.7p**	2.3p	(13.5)p	(11.2)p

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares, share options and warrants. The lowest exercise price of the share options is 34p per share. In August 2005 warrants over 3,000,000 shares of 10p each, with an exercise of 34p each, were issued to the Group's lenders. Share options and warrants are only considered dilutive if their exercise price is below the average market price of the shares for the period. On that basis none of the share options or warrants are considered dilutive for the current period.

10 Intangible Fixed Assets

	Group exploration costs		Company exploration costs	
Intangible	**2005 £'000**	**2004 £'000**	**2005 £'000**	**2004 £'000**
At 1 January	**5,906**	4,536	**–**	–
Additions	**372**	1,370	**–**	–
At 31 December	**6,278**	5,906	**–**	–

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 2005, intangible fixed assets totalled £6.3 million (2004: £5.9 million), all of which relates to Ireland and central and eastern Europe.

11 Other Tangible Fixed Assets

	Producing assets £'000	Land and buildings Freehold £'000	Land and buildings Long leasehold £'000	Plant, fixtures and equipment £'000	Total £'000
Group:					
Cost or valuation:					
At 1 January 2005	155,809	10,091	1,113	6,972	173,985
Additions	–	–	–	216	216
Disposals	–	(8,572)	–	(5,827)	(14,399)
At 31 December 2005	**155,809**	**1,519**	**1,113**	**1,361**	**159,802**
Of which: At cost	**155,809**	**1,519**	**1,113**	**1,361**	**159,802**
At valuation	**–**	**–**	**–**	**–**	**–**
	155,809	**1,519**	**1,113**	**1,361**	**159,802**
Depreciation:					
At 1 January 2005	150,187	350	807	5,935	157,279
Provided during the year	580	82	153	317	1,132
Impairment (note 5)	(4,851)	–	–	–	(4,851)
Disposals	–	(311)	–	(5,014)	(5,325)
At 31 December 2005	**145,916**	**121**	**960**	**1,238**	**148,235**
Net book value:					
At 31 December 2005	**9,893**	**1,398**	**153**	**123**	**11,567**
At 31 December 2004	5,622	9,741	306	1,037	16,706

	Freehold Land and buildings £'000	Plant, fixtures and equipment £'000	Total £'000
Company:			
Cost:			
At 1 January 2005	1,519	892	2,411
Additions	–	4	4
Disposals	–	(93)	(93)
At 31 December 2005	**1,519**	**803**	**2,322**
Depreciation:			
At 1 January 2005	91	666	757
Provided during the year	30	114	144
Disposals	–	(93)	(93)
At 31 December 2005	**121**	**687**	**808**
Net book value:			
At 31 December 2005	**1,398**	**116**	**1,514**
At 31 December 2004	1,428	226	1,654

The historical cost and depreciation of freehold land and buildings, shown at valuation, are as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Historical cost:				
At 31 December	–	5,631	–	–
Depreciation:				
At 31 December	–	662	–	–

12 Investments

	Other fixed asset investments £'000	Joint venture £'000	Associated undertakings £'000	Total £'000
Group:				
Cost				
At 1 January 2005				
Goodwill	–	300	–	300
Net assets	89	1,005	80	1,174
	89	1,305	80	1,474
Share of retained profit for the year	–	405	59	464
Disposals	(89)	(1,710)	(139)	(1,938)
At 31 December 2005	–	–	–	–
Goodwill	–	–	–	–
Net assets	–	–	–	–
	–	–	–	–
Amounts written off:				
At 1 January 2005				
Goodwill	–	233	–	233
Net assets	87	–	–	87
	87	233	–	320
Amortisation of goodwill	–	30	–	30
Disposal	(87)	(263)	–	(350)
At 31 December 2005	–	–	–	–
Goodwill	–	–	–	–
Net assets	–	–	–	–
	–	–	–	–
Net book value:				
At 31 December 2005				
Goodwill	–	–	–	–
Net assets	–	–	–	–
	–	–	–	–
Net book value:				
At 31 December 2004				
Goodwill	–	67	–	67
Net assets	2	1,005	80	1,087
	2	1,072	80	1,154

Other fixed asset investments were sold during the year for £144,000 resulting in a gain of £142,000.

The joint venture and associated undertakings were sold as part of the disposal of the Oil Services division, (see note 26d).

	Other fixed asset investments £'000	Subsidiary undertakings £'000
Company:		
At 1 January 2005	2	3,000
Addition	–	1,664
Disposals	(2)	(4,664)
At 31 December 2005	**–**	**–**

Set out below are additional disclosures required in respect of the Group's share in its joint venture.

	2005 £'000	2004 £'000
Share of:		
Goodwill	**–**	67
Tangible fixed assets	**–**	1,412
Current assets	**–**	1,096
Liabilities due within one year	**–**	(1,252)
Provisions for liabilities and charges	**–**	(251)
	–	1,072

The Group's share of the undistributed retained earnings of its joint venture amounted to £nil at 31 December 2005 (2004: £655,000).

Share of results of joint venture:	2005 £'000	2004 £'000
British Steel Ramco Pipeline Services Limited		
Turnover	**5,136**	5,619
Profit before taxation	**1,134**	1,234
Group share 50%	**567**	617
Group share of profit after tax	**395**	431

The principal operating Group undertakings at 31 December 2005 are listed in note 28.

13 Stocks

	Group		Company	
	2005	**2004**	**2005**	**2004**
	£'000	**£'000**	**£'000**	**£'000**
Consumables, equipment and stores	**–**	2,331	**–**	–

14 Debtors

	Group		Company	
	2005	**2004**	**2005**	**2004**
Amounts falling due within one year:	**£'000**	**£'000**	**£'000**	**£'000**
Trade debtors	**925**	2,175	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**–**	2,021
Amounts owed by associated undertakings*	**37**	981	**–**	–
Value added tax and other taxes	**61**	–	**58**	–
Other debtors	**556**	1,682	**152**	186
Prepayments	**69**	365	**54**	72
	1,648	5,203	**264**	2,279

*All trading balances.

15 Creditors – Amounts Falling Due Within One Year

	Group		Company	
	2005	**2004**	**2005**	**2004**
Amounts falling due within one year:	**£'000**	**£'000**	**£'000**	**£'000**
Bank loan (note 16)	**8,201**	19,675	**–**	–
Trade creditors	**1,504**	1,135	**316**	400
Corporation tax	**–**	374	**–**	–
Other taxes and social security	**290**	439	**78**	173
Accruals	**1,428**	3,102	**718**	187
Other creditors	**195**	83	**187**	–
	11,618	24,808	**1,299**	760

Corporation tax includes overseas tax payable.

16 Creditors – Amounts Falling Due After More Than One Year

		Group		Company	
		2005	2004	**2005**	2004
Amounts falling due after more than one year:		**£'000**	£'000	**£'000**	£'000
Bank loans	Main & mezzanine	**68,415**	68,415	**–**	–
	Unpaid gas price hedge	**13,199**	2,343	**–**	–
	Unpaid interest on loan	**4,556**	2,329	**–**	–
Repaid during the year		**(13,727)**	–	**–**	–
		72,443	73,087	**–**	–
Less: Impairment borne by finance provider		**(64,242)**	(53,412)	**–**	–
		8,201	19,675	**–**	–
Amounts falling due within one year		**(8,201)**	(19,675)	**–**	–
		–	–	**–**	–

This relates to a £68.6 million project finance facility arranged for the Seven Heads gas field development which was due to be repaid in six monthly instalments. The net cash generated from the field was insufficient to meet the repayments. The Company announced on 20 June 2005 that it had 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 until the earlier of (a) 31 December 2005 and (b) the later of (i) the formal conclusion of the sale of the business and assets of ROSL and (ii) the formal conclusion of the sale of the business and assets of, and/or the interest of Ramco and its subsidiaries in, RSHL and NEL. The Company also issued warrants to the lenders for 3,000,000 ordinary shares of 10p at a price of 34p.

The amount of £64.2 million (2004: £53.4 million) provided above represents an adjustment to bring the non-recourse element of the loan creditor in line with the net present value of future cash flows expected from the gas field in accordance with the Statement of Recommended Practice Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities.

The £8.2 million outstanding at 31 December 2005, was repaid in full in February 2006 following the sale of the Group's interest in the Seven Heads gas field.

Details of borrowings entered into are as follows:

Project Finance – Seven Heads Gas Field

The Group's interest in the gas field was held by two wholly owned subsidiaries, Ramco Seven Heads Limited (RSHL) and Northern Exploration Limited (NEL). Their interests were sold to another Group subsidiary, Ramco Celtic Sea Limited in December 2005. RSHL entered into two facility agreements during 2003 to finance the development.

(i) Senior facility agreement

On 3 April 2003 RSHL entered into a £60 million facility agreement (the senior facility) which was drawn down in full between April and August 2003. The senior facility comprises a borrowing base amount of £48 million and an Oil Services Guaranteed Balance (OSGB) of £12 million (repaid in full in December 2005). The principal terms of this facility are as follows:

Repayments were due to start in six monthly instalments commencing on 30 June 2004 with full repayment due by 30 June 2009. Due to the poor performance of the gas field no scheduled repayments have been made.

Interest is calculated daily at a rate equal to LIBOR/EURIBOR plus 1.75% and is payable six monthly in arrears.

(ii) Mezzanine facility agreement

On 15 May 2003 RSHL entered into an £8.6 million facility agreement (the mezzanine facility) which was drawn down in full on 5 January 2004. This was written off by the bank in December 2005.

(iii) Unpaid interest rate and gas price hedges

During the year hedge payments fell due but were unpaid totalling £13.1 million (2004: £4.7 million). These amounts have been added to the principal loan.

16 Creditors – Amounts Falling Due After More Than One Year *continued*

Security

Senior facility borrowing base amount

First ranking UK and Irish debentures over the Principal Project Contracts, other than the licence.
First ranking pledge over the shares of RSHL and first ranking memorandum of deposit over the shares of NEL.
First ranking assignment of the insurances.
Direct agreements between the lenders and Marathon Oil Ireland Limited, and the lenders and the Irish Petroleum Affairs Division of the Department of Marine Communications and Natural Resources.

Financial covenants

Senior facility

Negative pledges by RSHL, NEL and ROSL in relation to granting security over assets and disposal of assets.
RSHL, NEL and ROSL undertake not to enter into corporate reconstructions or change substantially the nature of their businesses.
RSHL to effect and maintain a hedging programme specified by the lenders.
RSHL to open and maintain specified bank accounts in accordance with the provisions of the facility agreement as long as amounts remain payable under the facility agreement.
Debt Service cover ratio shall not be less than 1.15 to 1.

OSGB

ROSL covenants to be tested on a quarterly basis:
Net assets shall not at any time be less than £9 million.
A minimum cash position of £500,000 be maintained.
Ratio of trade debtors to trade creditors shall not at any time be less than 1.25 to 1.
EBITDA ratio shall not exceed 5 to 1, except in specified circumstances. This covenant was breached, the breach has been waived by the Group's Bankers.

17 Provision for Liabilities and Charges

	Legal fees £'000	Decom-missioning provision £'000	Vacant properties £'000	Deferred tax £'000	Total £'000
Group					
At 1 January 2005	342	4,857	38	37	5,274
Addition	–	15	–	–	15
Provided in the year	–	326	–	–	326
Utilised/released to the profit and loss account	(181)	–	(12)	(37)	(230)
At 31 December 2005	**161**	**5,198**	**26**	**–**	**5,385**

	Legal fees £'000	Decom-missioning provision £'000	Vacant properties £'000	Deferred tax £'000	Total £'000
Company					
At 1 January 2005	–	–	38	–	38
Released to the profit and loss account	–	–	(12)	–	(12)
At 31 December 2005	**–**	**–**	**26**	**–**	**26**

Legal fees
The legal fee provision of £161,000 (2004: £342,000) relates to the estimated cost of pursuing the appeal process in relation to the legal case described in note 27.

Decommissioning
The decommissioning provision of £5.2 million (2004: £4.9 million) relates to producing wells in the Seven Heads gas field. The provision has been estimated using existing technology at current prices escalated at 2.5% and discounted at 7%. Decommissioning costs are expected to be incurred in 2009. The decommissioning provision was held in Ramco Celtic Sea Limited which was sold in February 2006.

Vacant properties
The Group has one vacant leasehold property. Provision has been made for residual lease commitments, together with outgoings, after taking into account existing and anticipated sub-tenant arrangements.

Deferred taxation
Deferred taxation is provided in the financial statements as follows:

	Group		Company	
	2005 £'000	**2004 £'000**	**2005 £'000**	**2004 £'000**
Capital allowances in advance of depreciation	–	37	–	–
Provision at 1 January	**37**	329	–	–
Deferred tax charge in profit and loss account for year	**59**	(292)	–	–
Balance removed on company exiting Group	**(96)**	–	–	–
Provision at 31 December	–	37	–	–

17 Provision for Liabilities and Charges *continued*

The unprovided asset for deferred taxation is as follows:

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Capital allowances in advance of depreciation	**(412)**	(30,269)	**(108)**	(71)
Capital gains tax held over on deferred gains	**–**	27,779	**–**	–
Short term timing differences	**(46)**	(1,560)	**–**	–
Unrelieved losses	**(4,104)**	(9,855)	**(1,124)**	(812)
Unrelieved capital losses	**–**	(668)	**–**	–
	(4,562)	(14,573)	**(1,232)**	(883)

No tax liability is expected to arise on the disposal, at valuation, of the Group's land and buildings.

The held over gain crystallised during the period due to the trade ceasing in Ramco Seven Heads Limited and Northern Exploration Limited. The trade continues in Ramco Celtic Sea Limited, which was disposed of by the Group in February 2006.

18 Share Capital

	2005 £'000	2004 £'000
Authorised:		
40,000,000 (2003: 40,000,000) ordinary shares of 10p each	**4,000**	4,000
Allotted, called up and fully paid:		
33,144,713 (2004: 30,144,713) ordinary shares of 10p each	**3,314**	3,014

In June 2005 the Company completed the placing of 3,000,000 new ordinary shares of 10p each at an issue price of 34p per share. The placing raised £1 million net of expenses.

Since 1 January 2006 there have been two placings of shares. On 5 April 2006, 520,322 new ordinary shares of 10p each were issued for 28.5 per share. The issue raised £148,000.

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

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.

	2005 Pence per share		2004 Pence per share	
	High	**Low**	High	Low
First quarter	**56.5**	**23.5**	400.0	31.0
Second quarter	**42.5**	**23.5**	63.5	29.0
Third quarter	**37.0**	**27.5**	57.0	21.5
Fourth quarter	**32.5**	**25.5**	35.0	21.5

19 Share Options

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. As at 31 December 2005 the following options were outstanding:

Option price	2005	2004	Exerciseable at 31 Dec 2005	Remaining contractual life	Normal exercise dates	Target variable	Target
595p	**29,000**	30,000	29,000	0.4 years	10/5/99 – 9/5/06	EPS	> RPI
755p	**96,400**	98,400	96,400	0.9 years	7/11/99 – 6/11/06	EPS	> RPI
1095p	**2,000**	2,000	2,000	1.2 years	25/2/00 – 24/2/07	EPS	> RPI
1095p	**2,500**	2,500	2,500	1.2 years	19/3/00 – 18/3/07	EPS	> RPI
675p	**234,000**	247,000	234,000	2.3 years	30/4/01 – 29/4/08	EPS	> RPI
675p	**51,500**	51,500	51,500	2.3 years	5/5/01 – 4/5/08	EPS	> RPI
395p	**10,000**	10,200	10,000	3.5 years	17/7/02 – 16/7/09	TSR	> RPI+5% p.a.
395p	**40,500**	47,800	40,500	3.5 years	17/7/04 – 16/7/09	TSR	> RPI+10% p.a.
347.5p	**175,870**	181,675	–	5.4 years	11/5/04 – 10/5/11	TSR	(2)
347.5p	**233,130**	300,825	–	5.4 years	11/5/06 – 10/5/11	TSR	(1)
335p	**–**	16,200	–	5.9 years	2/11/04 – 1/10/11	TSR	(2)
335p	**–**	28,800	–	5.9 years	2/11/06 – 1/10/11	TSR	(1)
335p	**15,300**	15,300	–	6.4 years	5/6/05 – 4/6/12	TSR	(2)
335p	**3,200**	3,200	–	6.4 years	5/6/07 – 4/6/12	TSR	(1)
222.5p	**900**	900	–	6.8 years	11/10/05 – 10/10/12	TSR	(2)
222.5p	**25,600**	25,600	–	6.8 years	11/10/07 – 10/10/12	TSR	(1)
350p	**28,260**	29,340	–	7.8 years	14/10/06 – 13/10/13	TSR	(2)
350p	**50,240**	52,160	–	7.8 years	14/10/08 – 13/10/13	TSR	(1)
34p	**820,000**	–	–	9.6 years	30/7/08 – 29/7/15	TSR	(2)
	1,818,400	1,143,400	465,900				

(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.

19 Share Options *continued*

Details of the Directors' options which are included in the above figures are shown in the Remuneration Report on pages 15 to 17.

	2005		2004	
		Weighted average Exercise		Weighted average Exercise
	Shares	price	Shares	price
Options outstanding at 1 January	**1,143,400**	**476p**	1,175,400	473p
Options granted	**820,000**	**34p**	–	–
Options cancelled	**(145,000)**	**383p**	(32,000)	354p
Options outstanding at 31 December	**1,818,400**	**284p**	1,143,400	476p
Options available for grant 31 December	**95,841**		319,341	
Options exercisable at 31 December	**465,900**	**660p**	489,400	657p
Option price range At 31 December		**34p to 1095p**		222.5p to 1095p

No options expired during the current or prior year.

20 Reserves

	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit & loss account £'000
Group:				
At 1 January 2005	68,576	752	(21)	(67,838)
Profit for the financial year	–	–	–	1,806
Amortisation of deferred gain on asset sold to joint venture	–	(18)	–	–
Released on disposal	–	(734)	21	713
Issue of new shares	718	–	–	–
At 31 December 2005	**69,294**	**–**	**–**	**(65,319)**

Other reserves comprise an exchange loss on retranslation.

Included in the profit and loss account above is £nil (2004: £79,000) representing the retained earnings of the Group's associated undertakings and £nil (2004: £655,000) for the Group's joint venture.

	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit & loss account £'000
Company:				
At 1 January 2005	68,576	–	–	(65,334)
Issue of new shares	718	–	–	–
Loss for the year	–	–	–	(5,510)
At 31 December 2005	**69,294**	**–**	**–**	**(70,844)**

21 Movement in Shareholders' Funds

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Profit/(loss) for the financial year	**1,806**	(3,377)	**(5,510)**	(4,065)
Other recognised gains and losses relating to the year	**–**	16	**–**	–
Issue of ordinary share capital	**1,018**	–	**1,018**	–
Movement in revaluation	**–**	(41)	**–**	(41)
Amortisation of deferred gain on asset sold to joint venture	**(18)**	(17)	**–**	–
Net change in shareholders' funds	**2,806**	(3,419)	**(4,492)**	(4,106)
Shareholders' funds at 1 January	**4,483**	7,902	**6,256**	10,362
Shareholders' funds at 31 December	**7,289**	4,483	**1,764**	6,256

22 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 £292,000 (2004: £347,000). Contributions totalling £nil (2004: £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 15 to 17.

23 Derivatives and Other Financial Instruments

The Board reviews and agrees policies for managing financial risks.

The Group's strategy is to finance its operations through a mixture of retained profits and 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's principal financial instruments comprise cash and term loan facilities whose main purpose is to finance the Group's operations. The Group has other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations. The Group treasury department monitors the availability of and requirement for funds in the Group. Surplus cash within the Group is put out on deposit in accordance with limits and counterparties agreed by the Board, the objective being to maximise returns on funds whilst ensuring that the short term cash flow requirements of the Group are met.

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.

Financial instruments held for trading purposes

The Group does not undertake any trading activity in financial instruments.

23 Derivatives and Other Financial Instruments *continued*

Short term debtors and creditors

Short term debtors and creditors have been excluded from all numerical disclosures, other than the currency risk disclosures.

Commodity price risk

Commercial production of gas from the Seven Heads development started in December 2003. As a requirement of the project finance the Group was required to put in place a hedge against fluctuations in the price of natural gas. The hedges in place cover 225,000 therms per day, and cover the period from 1 January 2004 to 31 December 2006. The price was fixed at the following rates:

2004	£0.1961 per therm
2005	£0.1930 per therm
2006	£0.1905 per therm

Foreign currency risk

The loan facility with the Group's Bankers included a draw down in Euros which was intended to hedge against the fluctuations in the Euro. The amount hedged was originally planned to be approximately the gas sales debtor for one month.

Exchange rates are monitored in conjunction with forecast currency requirements by Group treasury. Currency exposures are shown on page 47.

Liquidity/interest rate risk

In 2003 the Group agreed a loan facility with the Group's Bankers for £60 million to finance the Seven Heads development. This loan was drawn down between April 2003 and August 2003 as project funds were required. The loan agreement stated that 50% of the interest rate exposure must be hedged. As a result of this, two separate interest rate hedge agreements were put in place for £14 million and £16 million (reducing to £12.8 million and £14.7 million at 30 June 2004 and £11.7 million and £13.3 million at 31 December 2004). The interest periods for these hedges run to 30 June and 31 December.

Amount	Effective date	Termination date	Fixed rate of interest
£nil million (2004: £11.7 million)	23 Apr 03	24 Apr 06	4.03%
£nil million (2004: £13.3 million)	12 Sep 03	30 Jun 09	4.53%

These interest rate hedges were closed out during the year with the final amounts due under the contracts offset against unpaid commodity hedges.

Board approval is required for all new borrowing facilities. Details of interest rate profiles are shown on the following page.

(a) Interest rate risk profile of financial assets

The interest rate risk profile of financial assets of the Group at 31 December 2005 is as follows:

Currency	Floating rate financial assets £'000	Financial assets on which no interest is earned £'000	Total £'000
Sterling	**3,370**	**2**	**3,372**
US Dollar	**1**	**8**	**9**
Euro	**1,416**	**–**	**1,416**
Other	**2**	**–**	**2**
	4,789	**10**	**4,799**

The interest rate risk profile of financial assets of the Group at 31 December 2004 was follows:

Currency	Floating rate financial assets £'000	Financial assets on which no interest is earned £'000	Total £'000
Sterling	2,600	5	2,605
US Dollar	106	31	137
Euro	24	–	24
Norwegian Kroner	485	3	488
Other	9	2	11
	3,224	41	3,265

Financial assets include cash, deposits and investments.

23 Derivatives and Other Financial Instruments *continued*

Interest rate risk profile of financial liabilities

After taking into account the interest rate swaps the interest rate risk profile of financial liabilities of the Group at 31 December 2005 is as follows:

Currency	Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	Total £'000	Weighted average fixed rate interest rate %	Weighted average period for which rate is fixed Years
Sterling	**–**	**70,571**	**70,571**	**–**	**–**
Euro	**–**	**1,872**	**1,872**	**–**	**–**
	–	**72,443**	**72,443**	**–**	**–**

After taking into account the interest rate swaps the interest rate risk profile of financial liabilities of the Group at 31 December 2004 was as follows:

Currency	Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	Total £'000	Weighted average fixed rate interest rate %	Weighted average period for which rate is fixed Years
Sterling	25,000	46,215	71,215	4.3%	3.1 years
Euro	–	1,872	1,872	–	–
	25,000	48,087	73,087	4.3%	3.1 years

Provisions have been made against these financial liabilities as shown in note 16.

Floating rate financial liabilities bear interest rates based on LIBOR/EURIBOR.

Maturity profile

The maturity profile of the Group's financial liabilities at 31 December was as follows:

	2005 £'000	2004 £'000
In one year or less, or on demand	**8,201**	19,675

(b) Currency exposures

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

At 31 December 2005, currency exposures are as follows:

	Net foreign currency monetary assets			
Functional currency of Group operation	Euro £'000	US Dollars £'000	Other £'000	Total £'000
Sterling	**1,416**	**8**	**2**	**1,426**

Foreign exchange losses totalling £2,000 (2004: £103,000) have been recognised in the profit and loss account for the year.

At 31 December 2004, currency exposures were as follows:

	Net foreign currency monetary assets/(liabilities)			
Functional currency of Group operation	Euro £'000	US Dollars £'000	Other £'000	Total £'000
Sterling	(1,849)	108	499	(1,242)
Norwegian Kroner	–	29	–	29
	(1,849)	137	499	(1,213)

(c) Fair values of financial assets and financial liabilities

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 2005. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2005		2004	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments				
Cash	**4,799**	**4,799**	3,265	3,265
Short term borrowings	**(8,201)**	**(8,201)**	(19,675)	(19,675)
Other financial liabilities	**(5,385)**	**(5,385)**	(5,237)	(5,237)
Derivative financial instruments held to manage risk				
Interest rate swaps	**–**	**–**	–	184
Gas price swaps	**–**	**(27,067)**	–	(20,928)
	(8,787)	**(35,854)**	(21,647)	(42,391)

23 Derivatives and Other Financial Instruments *continued*

Summary of methods and assumptions

Interest rate swaps
The fair value of interest rate swaps have been determined by reference to prices available from the markets on which the instrument involved is traded. The interest rate swaps operate in six monthly periods ending on 30 June and 31 December. The interest rate swaps were closed out in 2005 for a net gain of £30,000.

Gas price swaps
The fair value of gas price swaps have been determined by reference to prices available from the markets on which the instrument involved is traded. The gas price swaps are settled on a monthly basis. Gains and losses are written off to the profit and loss account during the period in which they are incurred.

Short term loan, deposits and cash
The fair value approximates to the carrying value because of the short maturity of these instruments.

Long term borrowing
Fair values approximate to the carrying value as the majority are floating rates where payments are reset to market rates at intervals of less than one year.

(d) Hedges

The table below shows the extent to which the Group has off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

		2005			2004	
	Gains £'000	Losses £'000	Total £'000	Gains £'000	Losses £'000	Total £'000
Gains or losses on hedges at the beginning of the year	**184**	**(20,928)**	**(20,744)**	262	(10,772)	(10,510)
Gains or losses arising in previous years that were recognised in the year	**(88)**	**11,442**	**11,354**	(84)	4,994	4,910
Gains or losses arising in the previous year that were cancelled in the year	**(96)**	**586**	**490**	–	–	–
Total – Gains or losses arising in the previous years that were not recognised in the year	**–**	**(8,900)**	**(8,900)**	178	(5,778)	(5,600)
Gains or losses arising in the year that were not recognised in the year	**–**	**(18,167)**	**(18,167)**	6	(15,150)	(15,144)
Unrecognised gains or losses on hedges at the end of the year	**–**	**(27,067)**	**(27,067)**	184	(20,928)	(20,744)
Of which:						
Gains or losses expected within one year	**–**	**(27,067)**	**(27,067)**	184	(9,038)	(8,854)
Gains or losses expected after more than one year	**–**	**–**	**–**	–	(11,890)	(11,890)

There are no deferred gains or losses in respect of financial instruments.

24 Other Financial Commitments

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Group:				
Operating leases which expire:				
Within one year	–	–	147	8
In the second to fifth years inclusive	**49**	–	–	15
	49	–	147	23

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

Rental expenses are disclosed at note 3.

25 Related Party Transactions

The following transactions with related parties are disclosable.

S E Remp and N S Cumming, Directors of Ramco Energy plc, are entitled to royalty payments from the Group in connection with the patent of a PCU which they have assigned to Ramco Tubular Services Limited, a subsidiary of Ramco Energy plc until 16 December 2005. S E Remp has waived his entitlement to all royalties from this agreement. This royalty entitlement for 2005 would have been £1,000. N S Cumming received £1,000 of the royalties paid during the year.

During the year the Group provided accounting and administrative services to British Steel Ramco Pipeline Services Limited ("BSR"), which was until 16 December 2005 a joint venture. The total value of these services was £8,000 (2004: £8,000). The amount owed by BSR for these services and other expenditures at the end of the year was £Nil (2004: £188,000). In addition, sales of £2.1 million (2004: £2.0 million) were made to Badentoy Tubular Services Limited ("BTS"), an associated undertaking. The amount owed at the end of the year by BTS was £Nil (2004: £537,000).

26 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit/(loss) to net cash flow from operating activities

	Continuing £0'000	Discontinued £0'000	2005 £'000	2004 £'000
Operating (loss)/profit	(1,507)	6,840	**5,333**	598
Amortisation of goodwill	–	30	**30**	30
Gain on sale of investments	(142)	–	**(142)**	–
Depreciation of tangible fixed assets	301	832	**1,133**	9,637
(Gain)/loss on sale of tangible fixed assets	(9)	–	**(9)**	37
Amortisation of deferred gain on asset sold to joint venture	–	(18)	**(18)**	(17)
Decrease/(increase) in stocks	–	2,109	**2,109**	(66)
(Increase)/decrease in debtors	(107)	(141)	**(248)**	2,448
Increase/(decrease) in creditors	685	(328)	**357**	(2,446)
(Decrease)/increase in other provisions	(178)	–	**(178)**	100
Impairment provision	–	(4,851)	**(4,851)**	47,698
Unpaid gas price hedges added to loan	–	10,856	**10,856**	2,343
Impairment borne by finance provider	–	(10,830)	**(10,830)**	(53,412)
Exchange difference on retranslation	–	–	**–**	(222)
Net cash inflow from operating activities	(957)	4,499	**3,542**	6,728

(b) Reconciliation of net cash flow to movements in net debt

	2005 £'000	2004 £'000
Increase/(decrease) in cash in the year	**1,534**	(22)
Cash outflow/(inflow) from reduction/(increase) in debt	**13,727**	(8,600)
Revaluation of bank loan – exchange difference	**–**	240
Impairment borne by finance provider	**10,830**	53,412
Unpaid gas price hedge and interest on loan	**(13,083)**	(4,672)
Change in net debt resulting from cash flows	**13,008**	40,358
Net (debt)/funds at start of year		
Cash at bank and in hand	**3,265**	3,287
Debts due within one year	**(19,675)**	(10,000)
Debts due after one year	**–**	(50,055)
	(16,410)	(56,768)
Net debt at the end of the year	**(3,402)**	(16,410)
Represented by:		
Cash at bank and in hand	**4,799**	3,265
Debts due within one year	**(8,201)**	(19,675)
	(3,402)	(16,410)

Liquid resources represent short term deposits not qualifying as cash.

(c) Analysis of net (debt)/funds

	At 1 January 2005 £'000	Unpaid gas price hedges £'000	Unpaid interest on loan £'000	Impairment borne by finance provider £'000	Repaid £'000	Cash £'000	At 31 December 2005 £'000
Cash at bank and in hand	3,265	–	–	–	–	1,534	**4,799**
Debt due within one year	(19,675)	(10,856)	(2,227)	10,830	13,727	–	**(8,201)**
	(16,410)	(10,856)	(2,227)	10,830	13,727	1,534	**(3,402)**

(d) Disposal of ROSL

The Group disposed of its Oil Services division on 16 December 2005, (see note 6).

	£'000
Tangible fixed assets	9,073
Stocks	222
Investments	1,586
Debtors	4,034
Creditors	(2,305)
	12,610
Loss on disposal	(809)
Cash inflow from disposal	11,801

The ROSL sub group contributed £0.7 million to the net operating cash flows.

27 Litigation

Following a jury verdict in October 2003, the Texas State Court issued a final judgement on 1 April 2004 against Ramco Energy plc, Ramco Oil Limited and certain other defendants in a case alleging breach of contract arising from confidentiality and non-circumvention obligations. These obligations arose while Ramco was considering investment in an oilfield development project in Kazakhstan which Ramco subsequently decided not to pursue.

Ramco's appeal, and the plaintiff's cross appeal, were heard in Houston on 26 April 2005. On 6 June 2006, the Fourteenth Texas Court of Appeals delivered its decision on the appeals lodged by both parties to the lawsuit. The original judgment issued to Anglo Dutch in 2004 was reversed in its entirety. The decision concluded by stating "we reverse the trial court's judgement and render judgement that the Plaintiffs take nothing against the Ramco Parties."

The arrestments and inhibitions which had been obtained by the plaintiffs from the Court of Session, which had been hampering the Group's ability to carry out its business, have now been lifted.

The plantiffs have filed a motion with the Court of Appeals for a re-hearing, but the Directors do not consider that is necessary to alter the existing provision in Ramco's accounts which should cover the costs of this anticipated procedure.

Because of the uncertainty surrounding the range of possible outcomes, the Directors considered it was not possible to make a reliable estimate of the likely outcome of the appeal process beyond providing an estimate of the legal costs of pursuing the appeals, and accordingly a provision of $1,000,000 (£559,000) was made in 2003. £181,000 was utilised during 2005 (2004: 217,000) leaving a remaining provision of £161,000 (2004: £342,000). When final legal fees have been quantified and recovery of costs resolved, any balance remaining of the accounts provision will be released to the profit and loss account.

28 Group Undertakings

	Country of registration	Class of shares	Proportion held	Nature of business
(a) Principal operating subsidiary undertakings at 31 December 2005:				
Ramco Oil & Gas Limited	Scotland	Ordinary	100%	Oil and gas projects
Ramco Eastern Europe Limited	Scotland	Ordinary	100%	Holding company
Ramco Hazar Energy Limited (1)	Scotland	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas Limited	England	Ordinary	100%	Oil and gas projects
Ramco Seven Heads Limited (2)	Scotland	Ordinary	100%	Oil and gas projects
Northern Exploration Limited (1)	Ireland	Ordinary	100%	Oil and gas projects
Ramco Celtic Sea Limited	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 Oil & Gas B.V. (1)	Netherlands	Ordinary	100%	Oil and gas projects
Donegal Exploration Limited (formerly Ramco Donegal Limited) (3)	Ireland	Ordinary	100%	Oil and gas projects

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

(1) Shares held by Ramco Oil & Gas Limited
(2) Shares held by Ramco Oil & Gas B.V.
(3) Shares held by Ramco Eastern Europe Limited

Lansdowne Oil and Gas plc became a Group subsidiary in December 2005 and started trading in 2006.

29 Contingent Liabilities

a) Ramco Energy plc granted a parent company guarantee in respect of its wholly owned subsidiary Medusa Oil and Gas Limited (Medusa) to Jugopetrol A.D. Kotor (JPK) on 11 February 2003. The guarantee covers the obligations of Medusa arising from an agreement with JPK to carry out a specified work programme in connection with their interests in Montenegro. In February 2005 Ramco and Hellenic, JPK's parent company, restructured their relationship in Montenegro. This guarantee expired on 15 February 2006.

b) Ramco Energy plc, on behalf of the Seven Heads co-venturers, has entered into an agreement with Bord Gais Eireann ("BGE") to underwrite a proportion of the costs incurred by BGE in relation to the upgrade and refurbishment of the Midleton gas compressor station. The maximum liability under this agreement is €6 million but is reduced annually each October according to the amount of tariff revenue received by BGE from shippers of Seven Heads gas. Ramco have assessed their worst case liability at €5.0 million. The net present value of this liability is €2.8 million. In light of the expectation that the Seven Heads gas field will continue to produce gas for several more years no provision is currently considered necessary.

   Following the sale of Ramco Celtic Sea Limited in February 2006 any and all exposure of Ramco to this contingent liability is covered by a back to back undertaking with Marathon Seven Heads Limited and guaranteed by Marathon Oil Corporation.

30 Post Balance Sheet Events

a) Sale of Ramco Celtic Sea Limited

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 in cash, net of expenses, to Marathon International Petroleum Hibernia Limited. All of the proceeds of the sale, after costs, flowed to the Company's project finance lenders and retired sums due to them. The carrying value of the interest in the gas field, excluding the abandonment asset, had been reduced to the realisable amount at 31 December 2005 and consequently no gain or loss on disposal arose.

b) Flotation of Lansdowne Oil and Gas plc

On 22 February 2006 the Company announced that it had placed it's Irish exploration assets under the control of a recently established subsidiary, Lansdowne Oil and Gas plc ("Lansdowne"), which had completed a £750,000 private placing to provide working capital for the exploration assets.

On 21 April 2006 the issued share capital of Lansdowne was admitted to trading on the AIM market in conjunction with a placing of 1,882,353 shares at an issue price of 85p which raised £1.6 million before expenses. At the placing price, Lansdowne had a market capitalisation of £17.7 million. The Company, through its subsidiaries, retained an 86.25% interest in Lansdowne following the issue of the new capital.

c) Litigation

On 6 June 2006, the Fourteenth Texas Court of Appeals delivered its decision on the appeals lodged by both parties to the Tenge lawsuit. The original judgement issued to Anglo Dutch in 2004 was reversed in its entirety. The decision concluded by stating "we reverse the trial court's judgement and render judgement that the Plaintiffs take nothing against the Ramco Parties" (see note 27).

d) Placing of shares

On 5 April 2006 the Company issued 520,322 new ordinary shares of 10p each at a price of 28.5p to the pension fund of Steve Remp, Chairman. The placing raised £148,000 to supplement working capital.

On 1 June 2006 the Company issued 400,400 ordinary shares of 10p each to the pension fund of Steve Remp at a price of 12.5p per share and also 952,380 ordinary shares of 10p each to an institutional investor at a price of 10.5p each. The placing raised £150,000.

(e) Office building

Following the disposal of our Oil Services division and our only producing asset, the Seven Heads gas field, we have considerably reduced our head office staffing levels and our existing office is now too large for our needs. As a result we have concluded the sale of the building for £1.5 million and we will shortly be relocating to new offices.

(f) Bulgaria

In January 2005 we announced that we had converted our 20% working interest in the A Lovech block onshore Bulgaria into an 11 % interest carried through a planned extensive 3D seismic programme. A change in ultimate ownership of the operator of this project, Anschutz Bulgaria Limited, was the catalyst for a change to the plans for the block, with the objective of accelerating a drilling programme. We have in the past few weeks agreed a revised deal where our interest reverts to its former level of 20% but we are fully carried through this years work programme. The work programme includes a smaller seismic survey and use of the operators proprietary technology amied at firming up a well site for drilling in 2007.

Five Year Record

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Group turnover	**13,664**	41,927	20,832	16,809	14,741
Cost of sales	**(22,535)**	(45,519)	(24,249)	(23,560)	(33,586)
Exceptional items	**15,681**	5,714	(99,174)	–	–
Gross profit/(loss)	**6,810**	2,122	(102,591)	(6,751)	(18,845)
Administrative expenses	**(1,475)**	(1,421)	(1,778)	(1,430)	(1,644)
Exceptional costs on disposals of oil services group	**(809)**	–	–	–	–
(Loss)/gain on exchange	**(2)**	(103)	(686)	(2,750)	2,277
Group operating profit/(loss)	**4,524**	598	(105,055)	(10,931)	(18,212)
Income from interests in joint venture	**582**	617	166	18	188
Income/(loss) from interests in associates	**74**	64	53	(52)	11
Exceptional item – gain on disposal of oil and gas interest	**–**	–	–	–	3,448
Profit/(loss) before investment income, interest and taxation	**5,180**	1,279	(104,836)	(10,965)	(14,565)
Investment income	**–**	–	3	–	–
Net interest (payable)/receivable	**(3,290)**	(4,565)	738	1,765	3,759
Taxation	**(84)**	(91)	27,404	(142)	(1,148)
Profit/(loss) for the financial year	**1,806**	(3,377)	(76,691)	(9,342)	(11,954)
Earnings/(loss) per share	**5.7p**	(11.2)p	(278.2)p	(35.9)p	(46.2)p
Weighted average number of shares used to compute (loss)/earnings per share	**31,714,576**	30,144,713	27,570,483	26,037,656	25,861,480

Advisers

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Christopher Moar MA CA

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Notice of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting of the members of Ramco Energy plc will be held at The Queen's Hotel, Queen's Road, Aberdeen on Monday 31 July 2006 at 12.30 p.m. to conduct the following business:

1. To receive the Report of the Directors, the financial statements for the year ended 31 December 2005 and the Auditors' Report thereon.
2. To consider the re-election of S E Remp, who retires by rotation and being eligible offers himself for re-election as a Director.
3. 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.
4. As special business to consider the following Resolution as an Ordinary Resolution:

   That in accordance with Article 19 of the Articles of Association of the Company, the Directors be and they are hereby authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to allot relevant securities (as defined in the said Section 80) up to the amount of the sum 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.
5. As special business to consider the following Resolution as a Special Resolution:

   That in accordance with Article 20 of the Articles of Association of the Company, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (as defined in Section 94 of the Act) for cash as if sub-section 89(1) of the Act did not apply to the allotment of equity securities pursuant to the provisions of that Article, provided that:

   (i) for the purpose of paragraph (c) of that Article the nominal amount shall not exceed £351,000; and

   (ii) 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.
6. As special business to consider the following Resolution as a Special Resolution:

   That the Company be and is hereby authorised to purchase for cancellation its own ordinary shares by way of market purchase, provided that:

   (a) the maximum number of ordinary shares hereby authorised to be acquired is 3,510,000 ordinary shares of 10p each being approximately 10% of the issued share capital;

   (b) the maximum price which may be paid for such shares is 105% of the average of the middle market quotations derived from the Daily Official List of The London Stock Exchange for the five business days preceding the date of purchase and the minimum price is 10p per share being the nominal value thereof, in both cases exclusive of expenses; and

   (c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board
C G Moar
Company Secretary
62 Queen's Road, Aberdeen AB15 4YE
29 June 2006

Every member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies, who need not be a member of the Company, to attend and on a poll, vote instead of him or her. 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 48 hours before the meeting.

The Company, pursuant to regulation 34 of the Uncertificated Securities Regulations 1995 (as amended) specifies that only those shareholders registered in the register of members of the Company at 10.00 a.m. on 29 July 2006 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

The following documents 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 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.