

SC 62845

ANNUAL REPORT & FINANCIAL STATEMENTS 2003



Ramco Energy plc



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Year in Review

March

Irish Government approves Seven Heads Plan of Development.

Commencement of drilling programme and pipe lay operations.

April

Award of Licensing Option over Midleton acreage, Celtic Sea.

June

£3.9 million raised through institutional placement of 1,295,000 new ordinary shares.

New partnership with Hellenic Petroleum over Montenegrin acreage.

September

Building on its position in the Celtic Sea, Ramco is awarded two new Licensing Options over Rosscarbery and Seven Heads Oil.

£9.2 million raised through institutional placement of 2,620,000 new ordinary shares.

November

3D seismic offshore Montenegro completed.

Award of Licensing Option over East Kinsale acreage, Celtic Sea.

December

Extended contracts with both Shell Expro and JFE Steel Corporation for management of their tubular goods.

Seven Heads gas production commenced.

Chairman's Statement

The production problems encountered since the start of 2004 with our Seven Heads gas development have obviously been difficult for the Company, and they have demonstrated rather forcefully the risks inherent in our industry.

Following our successful exit from Azerbaijan in 2000, our focus has been the Seven Heads gas field offshore Ireland. This was part of a strategy to reinvest a large amount of capital from a high risk region of the world into a gas development in an economically low risk area, a stable country with a growing appetite for gas. The anticipated cash flow was destined to fund our future exploration activities in higher risk, higher impact areas, such as Montenegro.

During 2003 the majority of the Company's resources were focused on completing the technically and financially demanding job of bringing the Seven Heads development on stream. The field successfully commenced production at the end of 2003. We took great satisfaction in the fact that this fast track development had been professionally managed in challenging circumstances. However, that success has since been overshadowed by unexpected production problems. Work on a revised reservoir model is under way and will be completed over the next few months. That will underpin a reassessment of the field and help determine a future development programme designed to maximise the economic recovery of the field's reserves.

As already announced, the Board has made a substantial impairment provision against the carrying value of our interest in the Seven Heads gas field and that provision dominates the financial results for the year.

Financial results

Group turnover for 2003 totalled £20.8 million, up from £16.8 million in 2002, reflecting the commencement of gas sales under our Seven Heads gas contract and a decline in activity levels for Oil Services. Losses before exceptional operating items fell to £3.4 million from £6.8 million in 2002.

Exceptional operating items are however significant, totalling £99.2 million as follows:

	£m
Seven Heads	93.0
Poland	5.6
Tenge	0.6
	99.2

The Seven Heads amount relates to an impairment provision against the carrying value of the gas field. The second item relates to a provision that has been made against a loan due from an associated company through which we hold our exploration acreage in Poland. Although we have discovered gas on the acreage the area is likely to require significant further investment before commerciality could be confirmed. At this time the Group does not have the funds available to guarantee our continued involvement in the area. The final exceptional item represents the estimated legal costs expected to be incurred in our appeal against the Tenge judgement in Texas, being management's best estimate of the outcome of the appeal.

Administrative expenses rose to £1.8 million from £1.4 million the previous year, whilst exchange losses reduced to £686,000 from £2.8 million

in 2002. Net interest income reduced from £1.8 million in 2002 to £738,000 in 2003.

The overall result before tax for the year which, as indicated above, is primarily the result of significant exceptional items, is a loss of £104.1 million. This loss has been reduced by a tax credit amounting to £27.4 million, including the release of a provision for current and deferred tax relating to the held over gain on profit arising from the disposal in 2000 of the Group's interest in the ACG field in Azerbaijan. The Group after tax loss is £76.7 million (2002: loss £9.3 million). The Board is not recommending payment of a dividend (2002: nil).

At 31 December 2003 Group cash balances were £3.3 million and project loans totalling £60 million had been drawn to help fund the Seven Heads gas development. A further £8.6 million of project loan was drawn shortly after the year end. Of the total loans of £68.6 million, £56.6 million is non-recourse, secured only against Ramco's share of the Seven Heads gas reserves, the balance of £12 million is secured against our Oil Services business. As previously announced we are in discussions with our bankers over the possible rescheduling of these project loans. Our bankers have confirmed that it is not their intention to withdraw the finance facilities while the technical work and negotiations are ongoing.

As a result of the uncertainties relating to the outcome of our discussions with the Group's bankers in respect of the Seven Heads project loans and the

outcome of the appeal in the Tenge case, the auditors' report on the financial statements for the year ended 31 December 2003 refers to these uncertainties.

Ireland

Although the Seven Heads gas field commenced production at levels in excess of our target, by the end of January 2004 it was apparent that we had encountered major unforeseen problems. Production continued to fall in a series of stepped changes resulting in an inability to meet our gas sales nominations and, consequently, the need for us to provide our gas buyer with substitute gas from the UK. We immediately commenced a detailed technical review and have kept the market informed through a series of Stock Exchange announcements.

The latest of these, on 20 May 2004, provided shareholders with an extensive update, confirming that the field was purposefully being produced below its maximum potential, at 25 mmscf/d, in order to allow additional data acquisition to assist the ongoing technical review. The field is still producing at this rate, which is generating sufficient revenue to cover Ramco's operating and loan interest costs.

Since project inception in 1999 the investment model, which was the foundation for our major financial commitment, had been reviewed and endorsed by our in-house team, our partners, third party reservoir engineers, bankers and their technical advisers and our gas buyer and their technical advisers. However, field performance has undermined the reservoir model upon which we based our decision to embark on the development.

As a result of the poorer than expected production, we have commenced discussions with our bankers to restructure our existing finance arrangements for the field. We are also in discussions with interested third parties regarding the funding of any additional expenditure that may be recommended by the technical review. Additionally we are in a position to enhance the future potential from the Seven Heads infrastructure through the extensive additional acreage in the region that is held by Ramco companies. The recently announced farm-out option over the oil potential which underlies the Seven Heads gas field is an example of the additional prospectivity in the region.

Montenegro

We remain enthusiastic about the exploration potential in the Adriatic, offshore Montenegro. Since Hellenic Petroleum completed the acquisition of a majority stake in our joint venture partner, the former state oil company, Jugopetrol Kotor, our progress in the region has accelerated. During the fourth quarter of 2003 we acquired 312 sq km of 3D seismic. The data acquired was of high quality and the interpretation phase has now been completed. The results are encouraging, generating further optimism about the prospectivity of the area.

The Ulcinj block offers a range of major prospects including shallow Pleistocene and Pliocene gas and a number of medium to deep very large carbonate oil prospects. Most of these could be drilled in water depth of no more than 100m. We are finalising plans for the drilling of an exploration well to test the shallow gas prospects

Projects in Production:

Ireland

Projects in Exploration stage:

Ireland

Montenegro

Poland

Bulgaria

Chairman's Statement continued

and are actively seeking a farm-in partner to allow that work to be completed by early next year.

Oil Services

The results of our Tubular operations were down on 2002, reflecting the slow UK North Sea market, although this was partially offset by an improved contribution from Norwegian activity. Pipeline coating activity benefited from a range of new projects including coating pipe for Algeria, Trinidad and West Africa as well as the UK. Overall, the Oil Services division demonstrated its ability to remain profitable even in difficult market conditions.

Looking forward, the signs indicate a steady improvement supported by a three year extension to our cleaning and logistics contract with Shell and with activity levels in Japan expected to increase following the renegotiation of our contract with the JFE Steel Corporation.

Outlook

The unforeseen problems encountered in Ireland have undeniably presented a major challenge to Ramco's Board and management. Regardless of the many improvements in technology, the exploration and production business is not an exact science. The history of exploration within both Seven Heads and neighbouring fields, such as Marathon's very successful Kinsale field, contributed to our confidence that we understood the reservoir and thus believed the project's risks to be within tolerances which could be adequately managed. This has not turned out to be the case and we have recognised this in the substantial provision against the carrying value of the Group's investment in this asset.

We are, however, taking positive action to stabilise our operational and financial position. The Board and management team remain committed to the Company and our priority remains to derive the maximum value from Seven Heads and our other assets. I wish to take this opportunity to thank them for their dedication, loyalty and steadfastness. This is a team that has created significant value in the past and I am sure will do so again. Substantial opportunity remains in the portfolio, which has taken both skill and tenacity to assemble, and our strategy remains to exploit that potential.



Stephen Remp
Executive Chairman

Ireland – Seven Heads Gas (Ramco Operator 86.5%)

The first quarter of 2003 was largely dedicated to completion of the Plan of Development for the Seven Heads gas field. That plan received Government approval in March and rapid progress with the development was achieved over the next five months. During that period we successfully completed drilling of five wells and the re-completion of an earlier appraisal well. We laid and trenched 25.5km of 8" pipeline connecting those wells to a central manifold, and we completed the 35km of 18" main pipeline back to Marathon's Kinsale A platform. The control umbilicals were positioned and the construction work necessary to connect the Seven Heads gas pipeline to the Marathon Kinsale A platform commenced.

At that stage we were ahead of schedule and under budget; this excellent start to the development was unfortunately not maintained. First came the decision not to complete the final well as it was deemed non-commercial and then followed delays due to the topsides work to Marathon's platform falling behind schedule.

The integration of the Seven Heads cantilever work with the existing Kinsale infrastructure was more complicated than had been anticipated, requiring substantial redesign and causing significant delays and overspend. These difficulties were successfully overcome and the field commenced production on 13 December 2003. After a short period of commissioning, gas sales under our Gas Sales Agreement (GSA) with RWE Trading

(Ireland) Ltd began on 18 December. Initial production levels were well above our contracted volumes.

The anticipated initial decline in production continued for longer than expected; that was the first sign that the field was not performing as we expected. By late January we were unable to meet our full obligation to deliver gas under the GSA and we commenced importing gas from the UK to make up any shortfall. That process involves additional transportation costs.

An initial technical review of the geological, geophysical and recent production data has been concluded. It is clear from the performance of the producing wells that deliverability from the reservoir is much poorer than had been predicted. The results of the 2001 appraisal well and five earlier exploration wells led to a conclusion that a common gas water contact existed across the field. However, the field's performance since production commenced and subsequent technical work suggest that this key conclusion, upon which the reservoir model used for planning the development and for reserves estimates was based, is erroneous. It is now believed that a series of different gas water contacts exist across the field, a phenomenon known as 'stacked pay'.

The existence of multiple gas water contacts suggests the reservoir is more compartmentalised and each of the five producing wells is connected to a smaller volume of gas-bearing rock than had previously been thought.

Review of Operations – Oil and Gas Division continued

It is likely that further wells will be required to enable maximum reserves recovery. It is also likely that a different well design will be required for optimal gas recovery.

Work to develop a revised reservoir model is well under way. That will take several months to complete and will be an important tool for reassessing the field's recoverable reserves and designing a future work programme.

Ireland – Seven Heads Oil (Ramco Operator 74%)

Beneath the Seven Heads gas field (Upper Wealden reservoir), oil was discovered in Cretaceous Lower and Middle Wealden sands during the first phase of exploration of the Celtic Sea in the 1970s. Those oil discoveries lie at depths between 1200m and 2300m sub-sea and three wells have tested light oil (40 to 45 degree API) at rates up to 1,600 bpd. The oil contains a high wax content, which impacts its mobility at low temperatures. However, advances in development technology and the high prevailing oil price make a commercial development of Seven Heads oil a possibility.

In September 2003, Ramco and partners were awarded a Licensing Option over the Seven Heads oil accumulation for an initial period of one year. The key elements of the work programme are: additional analysis of the oils to obtain better data on their properties and mobility, reservoir geology studies to address the key issue of connectivity and conceptual development engineering studies to better understand the optimum development scenario and scoping economics.

An agreement was reached in April 2004 whereby Island Assets Limited (IAL) will pay Ramco's share of the costs of completing the initial work programme in order to earn an option to farm in to the acreage. IAL must then fund 100% of Ramco's share of drilling an appraisal well to test the oil accumulation in order to be able to exercise the option. By exercising the option, IAL will acquire a 44.4% interest in the Seven Heads Oil, leaving Ramco with 29.6%.

Ireland – Celtic Sea Gas Exploration

During 2003, additional prospective acreage in the Cretaceous Gas Fairway of the North Celtic Sea was added to the portfolio. The overall strategic objective is to identify gas prospects that, if successful, could be produced through a tie-back into the Seven Heads or Kinsale infrastructure. The proximity of the existing infrastructure means that even a modest gas discovery in the area could be commercially produced. It is anticipated that a 3D seismic programme will follow current work on the acreage to firm up exploration well targets.

Midleton (Ramco Operator 100%)

The Midleton Licensing Option was awarded in April 2003 and lies eastward and on trend with the Ballycotton Field, a sub-sea satellite tie-back to Marathon's Kinsale facility. The producing reservoir in the Ballycotton Field is the Cretaceous Greensand, or A sand, that is the main reservoir in the Kinsale Field. The Greensand is also the primary reservoir target in the Midleton concession.

During 2003 an experimental shallow seismic programme was carried out to

Review of Operations – Oil and Gas Division continued

improve imaging at shallow depths; that proved successful. Mapping of this new data and integration with previously acquired data has led to identification of a number of promising leads which it is hoped will be better defined through a seismic reprocessing project which is currently under way.

East Kinsale (Ramco Operator 100%)

This acreage lies on trend to the east of the Kinsale Field along the major basin axis inversion anticline. Reservoir targets are the Cretaceous Greensand and Wealden sands lying between the Kinsale Field in the west and the Ardmore discovery in the east (49/14). A Licensing Option was granted in November 2003 for a period of two years.

Work to date has consisted of mapping the available 2D seismic data, which has identified a number of leads. Seismic data quality is variable and the next step is to carry out reprocessing.

Rosscarbery (Ramco Operator 77%)

This concession north of the Seven Heads Gas Field was awarded in September 2003. A part of this area had been licensed previously to Ramco and partners, with the focus of attention being the Galley Head discovery (48/18-1) that tested gas at 13 mmscf/d from a Cretaceous Greensand reservoir. A number of other prospective structures have been identified, but it is recognised that those need additional evaluation work.

Additional 2D seismic data has been purchased and a reprocessing project is under way. Geological studies to better quantify the potential of the Greensand and Wealden reservoirs are

being conducted in parallel with the geophysical work.

Poland

Carpathian Blocks

(Ramco 41.5% – RWE DEA AG Operator)

Exploration wells have been drilled on two separate structures on the blocks. Zdynianka 1 tested gas and water down-structure in late 2002. On Ropa 2, an intended test of the same horizons on a structure approximately 16km to the north-west, failed to encounter the target horizons in the Eocene and was suspended in mid 2003.

Work since then has focused on interpretation of well results, reassessment of seismic on the drilled structures and work to improve ability to interpret the difficult seismic of the area. A trial magnetotelluric line showed potential for improved mapping of the tested zones in Zdynianka across to Ropa 2. A larger survey is now planned. Success in that survey could lead to a new work programme to deepen Ropa 2.

The remainder of the blocks have now also been partly assessed. An over-thrust play is possible in the north-western area of the block and the north-eastern area looks prospective as well. Additional seismic would be required to further develop the plays.

RWE, operator of the blocks, and Ramco are currently considering the appropriate work programme to submit to the Polish authorities ahead of a September 2004 concession deadline. Subject to agreement on a programme, Ramco is likely to seek a farminee for its interest in the blocks.

Bulgaria

A-Lovech

(Ramco 20% – Anschutz Operator)

Integrated technical studies have continued on the large amount of geological, geophysical and well log data available on the acreage. We have now identified two lead trends of over 100km each and more than a dozen leads. These leads range from hanging wall and footwall features to possible reefal plays.

More than 10,000km of reprocessed and new seismic data, nearly 200 well logs, geological studies, thermal modelling and studies of two existing oil fields were used to review prospectivity of A-Lovech and high-grade leads for further evaluation. Risk assessment of those leads indicates the requirement for a staged set of new 2D and 3D seismic to develop leads into drillable prospects. Commercial proposals to achieve such a seismic programme are under development.

Montenegro

Ulcinj Contract (Ramco 40% – Operator)

Ramco concluded negotiations in 2003 with its local partner, Jugopetrol Kotor (JPK), and Hellenic Petroleum of Greece to agree revised work commitments under the joint venture contract. Hellenic has been the majority shareholder of JPK since its privatisation in 2002. Subsequent to those negotiations, interests in the contract are Ramco 40%, JPK/Hellenic 60%. Ramco's sole risk work commitments are 3D seismic over a portion of the acreage (now completed), one firm exploration well and one further exploration well at Ramco's option. For both wells, JPK/Hellenic joins in costs of any agreed testing programmes.

On the commercial front, the partners to the contract have worked with the Montenegrin Government to underpin the concession from the Government with a formal agreement which seeks, among other provisions, to assure stability of financial terms and fortify title, such that all parties are well-positioned to gain financial support for any future development programme. The Montenegrin Prime Minister has commissioned a special task force led by the Deputy Prime Minister to accelerate approval of the agreement.

Subsequent to trading an early well commitment for 3D seismic, Ramco completed a 312 sq km survey in late 2003. Data quality is superb and hugely complements the extensive 2D data set on the concession. Interpretation of the 3D data is nearly completed. Excellent detail is shown on Pleistocene and Pliocene gas targets from circa 600m to 1500m depths.

As well, and unexpectedly, carbonate potential at circa 2500m to 3000m depth can be clearly mapped. We are currently prioritising drilling prospects and expect to complete our first exploration well by early 2005.

It is Ramco's intent, given the high prospectivity of the acreage and likely requirement for large amounts of additional 3D seismic and multiple wells over the next few years, to seek a farminee for a part of our interest. Both industry and financial players are being approached.

AVO (amplitude v offset) analyses provide good indications of the quality of the horizons; direct indications of hydrocarbons and meaningful information on sand thicknesses.
Above: AVO Bright Event image from Montenegro Pliocene target.

Oil and Gas Division Interests

As at 31 December 2003

Country	Licence	Effective Interest (%)	Operator
Ireland	Seven Heads Gas Petroleum Lease	86.5	Ramco
Ireland	Seven Heads Oil Licensing Option	74*	Ramco
Ireland	Midleton Licensing Option	100	Ramco
Ireland	Rosscarbery Licensing Option	77	Ramco
Ireland	East Kinsale Licensing Option	100	Ramco
Poland	Carpathian Licences (onshore)	41.5	RWE Dea AG
Montenegro	Ulcinj (offshore/onshore) Contract	40	Ramco
Bulgaria	A-Lovech (onshore)	20	Anschutz

All offshore unless otherwise stated. An application for further acreage in Ireland is pending.

*An option has been granted over this interest, which on completion of an appraisal well, paid for by a third party, may reduce to 29.6%.

Reserves as at 31 December 2003

The Group has proven and probable reserves in production from the Seven Heads gas field, offshore Ireland. Prior to the development of the field, independent petroleum engineers Exploration Consultants Limited estimated that Ramco's share of proven and probable reserves in the Seven Heads gas field were 263 bcf. During 2003 the field was developed and production commenced in December 2003, Ramco's share of production in 2003 was approximately 1 bcf.

Since production commenced it has become clear that the reservoir model upon which the earlier reserves estimate had been based is flawed. Work is under way to develop a revised reservoir model upon which a revised reserves estimate can be based. The revised reserves estimate is likely to be substantially lower and will not be completed until later in the year.

Ramco recognises that the prevention of accidents and ill health and the protection of the environment are essential to the efficient operation of its business. Accordingly, the management of health, safety and environmental issues is an integral part of the Company's management arrangements and commands equal prominence with operational and commercial considerations in our decision making process. Ramco recognises the value of both its own employees and its contractors' staff and considers their wellbeing to be a major factor in the success of all its business activities.

To deliver on these commitments and objectives, Ramco has a Corporate Management System in place to ensure that:

- 1 There is a health and safety management organisation in place to ensure that effective health and safety performance is achieved, and which results in all Ramco operated sites being safe places to work.
- 2 There is an effective environmental management organisation in place to ensure that operations have a minimal impact on the environment by identifying and managing the relevant risks.
- 3 The necessary training is provided for Ramco employees and contractors to ensure that they have the knowledge and capability to conduct operations in a safe and environmentally sensitive manner.
- 4 When planning operations, environmental issues are considered from the outset with the objective of reducing waste, minimising the consumption of resources and preventing damage to wildlife habitats.

- 5 Ramco's contractors understand their responsibilities for ensuring safe and healthy workplaces.
- 6 Adequate contingency plans are developed and implemented to manage any emergency that may arise in any of its operations.
- 7 Appropriate and effective security is in place for Ramco and contractor personnel and for Company assets at all operated locations and during travel to and from locations.
- 8 Ramco complies with all local, national and international health and safety legislation, environmental regulations and codes of practice.

Ramco provides the necessary resources, advice and guidance to ensure the communication and implementation of its health, safety and environmental policies, and monitors and reports on the Company's safety and environmental performance to the Board.

Ramco reviews and audits all aspects of the management system to ensure that it is being complied with, and to seek improvements in the system. The system is actively developed in line with the development of Ramco's business activities.

Although overall responsibility for health, safety and the environment rests with Ramco, every employee and contractor must recognise their own responsibilities (in particular, any specific responsibilities under legislation, or delegated to them as individuals) to ensure the health and safety of themselves and others.

Review of Operations – Oil Services Division

The extension of our contracts with both Shell and JFE in a market experiencing some uncertainty provides confirmation of the quality of our work and our leading position in the marketplace.

The Oil Services division's results for the year reflect the slow UK North Sea market, which particularly impacted Badentoy's revenue and profits. Against this our Norwegian operations benefited from the relatively strong market conditions in that region.

Our operations in Japan recommenced production towards the end of 2003, and ensured that performance there reached break even despite a prolonged shutdown of our plant located at JFE Steel Corporation's Chita steel mill. Our pipeline operation, British Steel Ramco (BSR), operated with Corus, benefited from a range of new projects and showed an improved performance over last year.

Overall, whilst the results are down on the previous year the division demonstrated its ability to remain profitable even in difficult market conditions.

Tubular Services

Whilst turnover and profits from Badentoy were well below the record results of 2002, its position and reputation amongst its customer base remain strong, and market share has increased. During the year we continued our cleaning and logistics work for Shell, BP and ChevronTexaco, and won work from independent operators new to the UK sector of the North Sea. The five year cleaning and logistics contract with Shell has been extended for a further three years to the end of 2006.

In Norway, both the Stavanger and Florø plants performed well, producing increased contributions over 2002. Both plants have significant workloads secured under contracts which run to the end of 2005.

Our Japanese operations recommenced in November 2003 after a period of inactivity, under a renegotiated contract that has been extended to December 2005, with an increased minimum guaranteed tonnage.

Pipeline Services

Our BSR joint venture in Hartlepool completed pipe coating contracts for pipelines in Algeria, Trinidad, North and West Africa, together with contracts in the UK for Shell and a maiden project for the water industry with Wessex Water.

Outlook

The UK tubular market remains slow, and we are not expecting a dramatic change, rather the expectation is for a steady improvement. Given our long term contractual relationships with customers of our Tubular division, activity levels should improve, enhanced by recently awarded new call-off contracts and service agreements. Norway is expected to continue with its robust performance and Japan should benefit from a full year's operation on improved contractual terms.

Overall, some 75% of our Tubular division's turnover is now under term contracts. BSR has a strong order book for the first half of 2004 with new projects in the Middle East and continuing projects in West Africa and the Caribbean.

Stewart Cumming
Managing Director

Board of Directors

**1 Peter Everett SPMB BSc CBIM
Non-Executive Director Aged 72**

Appointed December 1994. Peter Everett is the Senior Non-Executive Director on the Board and is Chairman of the Audit and Remuneration Committees and a member of the Nominations Committee. He has extensive international experience in the exploration and production business. Peter has been instrumental in advising the Board on its successful strategy of forming partnerships and alliances with major oil companies.

**2 Stephen Remp BA MA Hon D Tech
Executive Chairman Aged 57**

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.

**3 Rt Hon Sir Malcolm Rifkind KCMG QC
Non-Executive Director Aged 58**

Appointed August 1997. Sir Malcolm Rifkind, formerly UK Defence Secretary and UK Foreign Secretary, brings to the Company extensive knowledge and high level contacts. His skills encompass an unrivalled understanding of the regional political dynamics in Ramco's areas of interest. Malcolm is a member of the Audit and Remuneration Committees and is Chairman of the Nominations Committee. He holds a number of other Non-Executive Directorships.

**4 N Stewart Cumming
Managing Director of Ramco Oil
Services Aged 55**

Appointed January 1988. Stewart joined the Ramco management team as a founder member when the Company was formed in 1977. Since then he has been responsible for the management and highly successful development of the Company's Oil Services operations. Stewart was educated at Selbourne College and the Witwatersrand Technical College in South Africa.

**5 Steven Bertram MA (Hons) CA Dip
BA Group Financial Director Aged 44**

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.

**6 Daniel Stover BSc
Chief Operating Officer Aged 48**

Appointed July 2001. Dan joined Ramco in March 2001. Dan's career in petroleum engineering spans over 25 years during which time he has worked for Halliburton Energy Development, Marathon Oil Company as UK Production Manager and Brown and Root AOC Ltd, dealing with projects throughout the world. Dan was educated at Pennsylvania State University where he obtained a BSc in Petroleum and Natural Gas Engineering.

**7 Vikram Lall CA
Non-Executive Director Aged 57**

Appointed October 2002. Vikram has been an adviser to Ramco since 1988 and has over 30 years' experience in corporate finance. He holds a number of other Non-Executive Directorships, including Brewin Dolphin Holdings PLC, where he was an executive director for many years. Vikram is a member of the Audit, Remuneration and Nominations Committees.

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 with two distinct divisions: Oil and Gas and Oil Services. The Oil and Gas business is actively exploring for, appraising and developing, oil and gas reserves primarily in Ireland and central and eastern Europe. The Oil Services business specialises in downhole tubular maintenance and pipeline coatings, operating in the UK, Norway and Japan. Separate reviews of operations for each division are included in pages 5 to 13.

The Group's shares 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 2003 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 52. Detailed information by business segment can be found in note 2.

Turnover

Consolidated Group turnover for 2003 was £20.8 million up 24% from £16.8 million in 2002. This increase reflects the first revenues for the Oil and Gas division under its Gas Sales Agreement (GSA) for the Seven Heads Field and a decline in activity from the Oil Services

division. Gas sales totalled £9.8 million over the three month period of the GSA, much of this was substitute gas imported from the UK ahead of commercial production from the field which commenced on 13 December. Oil Services revenues fell by 35% from £16.8 million last year to £11.0 million in 2003 reflecting reduced North Sea activity particularly in the UK sector.

Cost of sales

Group cost of sales before exceptional items increased by 3% from £23.6 million in 2002 to £24.2 million in 2003.

Cost of sales relating to the Oil and Gas division in 2003 included substitute gas costs and associated transportation costs totalling £8.6 million. These costs relate to the provision of gas under the Seven Heads GSA prior to the field commencing production. The division's cost of sales rose by 62% from £9.0 million in 2002 to £14.6 million in 2003.

Oil Services' cost of sales fell by 34% to £9.7 million in 2003 from £14.6 million in 2002. This reflects the reduced activity levels.

Exceptional items

Exceptional items in 2003 are significant, totalling £99.2 million, (2002: nil). These all relate to the Oil and Gas division. The largest exceptional item is an impairment provision of £93.0 million against the carrying value of the Seven Heads gas field, this is more fully discussed in the Chairman's Statement. A second item relates to a provision of £5.6 million that has been made against a loan due from an associated company through

which we hold our exploration acreage in Poland. Although we have discovered gas on the acreage the area is likely to require significant further investment before commerciality could be confirmed and at this time the Group does not have the funds available to guarantee our continued involvement in the area. The final exceptional item of £559,000 (\$1 million) represents the estimated legal costs expected to be incurred in our appeal against the Tenge judgement in Texas.

Administrative expenses

Administrative expenses from the Group rose by 29% from £1.4 million in 2002 to £1.8 million in 2003. This increase arose across a range of categories reflecting the increased activity levels during the development phase of Seven Heads.

Income from interests in joint venture and associated undertakings

The Group's profit from joint venture and associated undertakings totalled £219,000 compared with a loss of £34,000 in 2002.

The Oil and Gas division's share of pre-tax profits from its Polish oil and gas associated undertaking was £30,000 compared with a loss of £45,000 in 2002.

Oil Services' share of pre-tax profit from its pipeline coating joint venture rose significantly from £18,000 in 2002 to £166,000 in 2003. A small profit was recognised from Oil Services' associated undertakings bringing total income from Oil Services' joint ventures and associated undertakings to £189,000, compared with £11,000 in 2002. This reflects increased

activity levels throughout 2003 in these ventures.

Loss on ordinary activities before interest and taxation

The Group's loss on ordinary activities before interest and taxation rose to £104.8 million in 2003 from £11.0 million in 2002 primarily as a result of the impairment provision against the carrying value of the interest in the Seven Heads gas field.

The loss from the Oil and Gas division rose from £12.6 million in 2002 to £105.8 million in 2003 primarily as a result of the impairment provision.

Pre-tax profit from the Oil Services division, including the Group's share of joint ventures and associated undertakings fell by 37% to £1.0 million compared with £1.6 million in 2002.

Net interest

Net interest receivable fell by 59% to £738,000 from £1.8 million in 2002. This reflects the reduced funds available for investment as a result of the expenditure on the Seven Heads development and an increase in interest payable.

Taxation

The substantial losses incurred during 2003 have allowed the release of £27.8 million of taxation previously provided in the accounts. This is the major item in the Group's taxation credit for 2003 of £27.4 million compared to a tax charge of £142,000 in 2002.

Loss for the financial year

A loss for the financial year of £76.7 million was recorded in 2003 compared with a loss of

£9.3 million in 2002 for the reasons outlined above, particularly the impairment provision on the Seven Heads gas field.

Balance sheet

The Group and Company balance sheets as at 31 December 2003 are shown on page 27. Group net assets have reduced from £72.0 million at 31 December 2002 to £7.9 million at 31 December 2003. This movement arose primarily as a result of the loss for the year partially offset by the issue of £12.6 million of additional ordinary share capital during the year. At 31 December 2003, the Group held £3.3 million as cash or short term deposits and added £8.6 million to this shortly after the year end by drawing the mezzanine tranche of the project loan for the Seven Heads gas development. Repayments under the project finance loans are scheduled to commence on 30 June 2004 but the lower than anticipated production from the Seven Heads gas field, coupled with the unforeseen costs of the technical studies and the back up transportation system have resulted in much less cash being generated than had been expected. We are in discussions with our bankers regarding the rescheduling of the loan repayments and have received a waiver of the June repayment and breach of loan covenants until 31 August 2004, pending completion of the technical studies being carried out on the field.

Cash flow

Cash flow from operations

As indicated by the consolidated cash flow statement on page 28 the Group's net cash inflow from operating activities was £4.2 million and £39.1 million for the years ended 31 December 2003 and 2002 respectively. During these

Financial Review continued

years, the Company utilised significant cash resources to finance its oil and gas activities in Ireland and central and eastern Europe.

Cash flows related to taxation and investing and financing activities. The Group paid amounts in respect of overseas taxes of £211,000 in 2003 and £402,000 in 2002. In 2003 and 2002 the Group invested approximately £277,000 and £753,000 respectively, in fixed assets. Fixed asset purchases in 2003 related primarily to the Oil Services division. Also in connection with its Oil and Gas operations, the Group invested £97.3 million in 2003 and £25.6 million in 2002 in connection with its projects, the biggest investment being in its Seven Heads project offshore Ireland. The substantial development costs of the Seven Heads gas field during the year were funded from cash deposits, bank borrowings and through the issue of new shares.

Future capital requirements

The Group's current prospects, apart from Seven Heads, are in the exploration or appraisal stages and do not contain any proven reserves. Revised reserves estimates for the Seven Heads field will not be available until later this year following completion of the detailed technical studies that are ongoing. It is likely that the recommendations of the technical review will be for further work to be carried out on the Seven Heads field in order to maximise gas recovery. This additional work may include acquisition of 3D seismic, reworking existing wells, drilling new wells or the provision of compression facilities. It is likely that significant additional funds will be required to complete

this type of programme; we have commenced discussions with our bankers and a number of third parties with the objective of ensuring that any additional funding that is required is available in order to be able to quickly complete the recommended work programme.

The lower than expected cash flow being generated by the Seven Heads gas field has also required the Group to curtail its short term plans for its exploration assets. In Ireland we are actively seeking farm in partners for our exploration acreage and have recently concluded a deal over the Seven Heads oil potential. That deal brings in a third party to fund 100% of Ramco's current commitments under the Licensing Option and would also have the third party fund 100% of Ramco's share of an appraisal well to test the oil potential if the initial technical work proves encouraging. Included in the exceptional items is an amount of £5.6 million against a loan made to our associate to fund exploration in Poland. Although the acreage looks prospective, with a gas discovery having been made, the geology is complex and significant additional exploration expenditure is likely to be required. We are seeking to farm out our interest as we do not currently have the funding available to complete the work required, meantime we have written down our carrying value to zero. In Montenegro, it has always been our plan to seek a farm in partner and now, with the recently completed and interpreted 3D seismic, we are in discussion with a number of interested parties.

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, Ramco Seven Heads Limited has entered into interest rate swaps and gas price hedges as a part of its project finance arrangements. The variable interest rate on £30 million, or half of the main loan facility, has been 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 can be found in note 23. In the normal course of business the Group also faces certain other risks non-financial or non-quantifiable. 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 will 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 opposite set forth, for the periods and dates indicated, the exchange rates for the Dollar and the Euro against Sterling.



Steven R Bertram
Group Financial Director
21 June 2004

Dollar/Sterling exchange rates

(Dollar per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
1999	1.61	1.61	1.67	1.56
2000	1.49	1.52	1.65	1.40
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

Euro/Sterling exchange rates

(Euros per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
1999	1.61	1.53	1.61	1.45
2000	1.59	1.65	1.72	1.58
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

⁽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 23.

Report of the Directors

The Directors submit their report and audited Group financial statements for the year ended 31 December 2003.

Review of the business, principal activities and future developments

The principal activities of the Group are the exploration, development and production of hydrocarbons and the provision of oil services. 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, in the Reviews of Operations and in the Financial Review.

Results and dividends

The Group consolidated profit and loss account set out on page 26 shows a loss on ordinary activities before tax of £104.1 million (2002: loss £9.2 million). After tax the Group loss for the year was £76.7 million (2002: loss £9.3 million).

The Directors do not recommend the payment of a dividend (2002: nil per share) and £76.7 million will be deducted from 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 15.

In accordance with the Company's Articles of Association, S E Remp retires and being eligible offers himself for re-election. S E Remp has a service contract with an unexpired 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 23 and 24.

Substantial shareholders

The Directors have been notified of the following interests in 3% or more of the Company's issued share capital at 31 May 2004:

Name of member	No. of shares	% of capital
Directors	3,827,389	12.70
Artemis Smaller Co Fund	1,560,000	5.18
Hansa Trust	1,130,000	3.75
Finsbury Trust plc	1,065,000	3.53

Share capital

Share placings in June and September were used to provide funds for capital expenditure in connection with oil and gas projects. Total consideration for the new shares issued in 2003 was £13.1 million, costs associated with the issue of these shares were £529,000. Details of allotments made during the year and between 1 January 2004 and 31 May 2004 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:

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

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

follow the same policy. The Company's average creditor payment period at 31 December 2003 was 69 days (2002: 49 days).

Branches

The Group operates a branch outside of the UK in Bulgaria.

Charitable contributions

Contributions made by the Group during the year for charitable purposes were £1,000 (2002: £7,000).

AGM Special Business

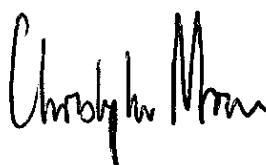
The Annual General Meeting (AGM) will commence at 10.00 a.m. on 10 August 2004 at the Hilton Treetops Hotel, Springfield Road, Aberdeen.

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. This authority will expire at the conclusion of the next AGM 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 £301,000 (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 AGM 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
Chris Moar MA CA
Company Secretary
21 June 2004

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 an Executive Chairman, three further Executive Directors and three Non-Executive Directors. Biographies of the Directors are presented on page 15. Peter Everett is the Senior 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 independent Non-Executive Directors who take no part in the discussion of their own remuneration. Both are chaired by Peter Everett and the other members are Sir Malcolm Rifkind and Vikram Lal.

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 three times 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 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 33. 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 pages 23 and 24 and contains a statement of remuneration policy and details of the remuneration of each Director.

Nominations Committee

The Nominations Committee is chaired by Sir Malcolm Rifkind and meets as required. The other members are Peter Everett, Vikram Lal 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. At the present time no Director will have held office for more than three years since his last

appointment or reappointment. Names of Directors submitting themselves for reappointment at the next AGM are shown on page 20.

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 reviewed the effectiveness of the Group's system of internal control.

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, Interim Report and can 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 despatched 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 1998 Combined Code on Corporate Governance. The Group has applied the Combined Code principles with one exception. The roles of Chairman and Chief Executive are both currently filled by S E Remp although N S Cumming manages the day-to-day running of the Oil Services business in his capacity as Managing Director of that business and D F Stover, as Chief Operating Officer, has responsibility for the Group's exploration activity and project development activity. The Board currently does not believe it to be appropriate to separate the roles of Chairman and Chief Executive.

Corporate Governance continued

Directors' responsibilities

Company law requires the Directors to prepare 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 with the exception of the changes arising on the adoption of new accounting policies in the year, as explained on page 29 under note 1 'Accounting Policies'. 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 2003 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.

There are two areas of uncertainty as to whether or not the Group can be considered a going concern.

The first area of uncertainty is the future of the Group's wholly owned subsidiaries Ramco Seven Heads Limited (RSHL) and Northern Exploration Limited (NEL). RSHL and NEL together have an 86.5% interest in the Seven Heads gas field which commenced production in December 2003. RSHL and NEL entered into a finance agreement with the Group's bankers under which finance totalling £68.6 million was provided to fund the Seven Heads gas development, £12 million of which was guaranteed by Ramco Oil Services Limited (ROSL), another wholly owned subsidiary of the Group. Shortly after production commenced, as notified to shareholders in January 2004, production of gas suffered a significant decline. The lower than anticipated production from the field, coupled with the unforeseen costs of technical studies and the back up transportation system mean that RSHL and NEL are generating much less cash from the field than had been expected. Cash generated at present levels of production is sufficient to cover ongoing operating costs and interest on finance. It is however insufficient to cover repayments of loan principal. On 30 June 2004 an amount of £5 million is due under the terms of the existing facility

agreement which, with the present cash generation from the field, RSHL and NEL would be unable to meet. Discussions have been ongoing with the Group's bankers since early in 2004 over the rescheduling of the £56.6 million non-recourse project loans and the £12 million loan secured on the equity of ROSL. The net assets of this subsidiary, together with its wholly owned subsidiaries, included in the consolidated balance sheet at 31 December 2003 amount to £9.5 million.

Detailed technical studies of the field have been ongoing since the production difficulties were first encountered. Those studies are expected to be concluded by the end of July 2004. To the extent that the ongoing technical review of the field recommends further work, such as acquisition of 3D seismic, reworking existing wells, drilling new wells or the provision of compression, it is likely that significant additional funds will be required. Discussions with the Group's bankers and a number of third parties as to how this additional investment might be structured are continuing.

The Group's bankers have confirmed in writing:

- A waiver of the first repayment in principal of £5 million due on 30 June 2004
- A waiver of breaches of covenants to date under the loan facilities.

These waivers are for the period ending 31 August 2004 which, as indicated above, is after the expected conclusion of the technical studies of the field.

The second area of uncertainty is the outcome of the ongoing litigation in the United States detailed in note 27(b) to the financial statements. Because of the uncertainty surrounding the range of possible outcomes the Directors consider it is 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. A provision of \$1 million (£559,000) has been made in the 2003 accounts accordingly.

The Directors have prepared cash flow forecasts for the Group for the period ending 18 months from the date of approval of these financial statements. These indicate that the Group will have adequate cash resources to meet its obligations, with the exception of the repayment of loan principal, as they fall due. The Directors have assumed there will be a successful outcome of the technical work programme and negotiations with the Group's bankers and third parties concerning the rescheduling of the project loans and funding for the technical work. The Group's bankers have confirmed that it is not their intention to withdraw the finance facility while the technical work and negotiations are ongoing. 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 these 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 Peter Everett (Chairman), Sir Malcolm Rifkind and Vikram Lall, all of whom are independent 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, other than as a shareholder or share option holder, in the matters to be decided by the Committee or any conflicts arising from cross-directorships or day-to-day involvement in the running of Ramco.

Remuneration policy

Ramco operates in the international oil and gas industry and aims to attract, reward, motivate and retain top executives in a manner appropriate

to that industry and with the objective of long term accumulation of value for shareholders. The remuneration packages currently being offered are intended to be competitive and comprise a mix of performance-related and non-performance-related remuneration designed to incentivise Directors, but not to detract from the goals of Corporate Governance. The packages are in line with industry norms.

Directors' service contracts

All 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, car and other benefits, pension contributions and share options.

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	4.5%	4.5%	All
S R Bertram	1.5%	1.5%	All
D F Stover	1.5%	1.5%	Oil and Gas
N S Cumming	2.5%	3.95%	Oil Services

With effect from 1 January 2004, S E Remp's profit and disposal bonuses reduced to 4.0%, D F Stover's increased to 1.75% and S R Bertram's increased to 1.625%.

Audited information

Directors' detailed emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate emoluments £'000	2003 Pension contributions £'000	2002 Pension contributions £'000	2003 Total £'000	2002 Total £'000
Executive Directors								
S E Remp	463	—	31	494	100	94	594	557
S R Bertram	170	—	22	192	25	24	217	205
N S Cumming	172	28	22	222	25	24	247	245
D F Stover	220	—	21	241	30	26	271	245
M D Seymour (resigned 30/9/02)	—	—	—	—	—	19	—	148
Non-Executive Directors								
P Everett	25	—	—	25	—	—	25	32
Sir M Rifkind	25	—	—	25	—	—	25	20
D Boyle (resigned 1/10/02)	—	—	—	—	—	—	—	15
V Lall (appointed 1/10/02)	25*	—	—	25*	—	—	25	5*
2003	1,100	28	96	1,224	180	187	1,404	1,472
2002	1,157	38	90	1,285				

*The table includes £23,000 (2002: £5,000) paid to Brewin Dolphin Securities in respect of fees for the services provided by V Lall to the Company. Details of transactions with related parties are given in note 25 to the financial statements.

Remuneration Report continued

Interests in share options

	Exercise price	At 31 Dec 2002	Granted	Exercised	At 31 Dec 2003	Normal exercise dates
S E Remp	675p	132,500	–	–	132,500	30/4/01 – 29/4/08
S R Bertram	675p	38,000	–	–	38,000	5/5/01 – 4/5/08
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
N S Cumming	125p	27,000	–	(27,000)	–	1/7/96 – 30/6/03
N S Cumming	755p	33,000	–	–	33,000	7/11/99 – 6/11/06
N S Cumming	675p	13,500	–	–	13,500	5/5/01 – 4/5/08
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
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	11/5/06 – 10/5/11
Sir M Rifkind	347.5p	30,000	–	–	30,000	11/5/06 – 10/5/11
		519,500	–	(27,000)	492,500	

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 19 to the accounts. During 2003 the share price ranged between a high of 415p and a low of 220p. The quarterly highest and lowest closing share prices are detailed in note 18.

NS Cumming exercised 27,000 options at 125p on 17 April 2003. The mid-market price of the Company's shares at that time was 242.5p. A notional gain of £32,000 arose on the exercise of these options, although NS Cumming did not subsequently sell any of these shares.

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 2002	At 31 Dec 2003	At 31 May 2004
S E Remp	3,343,251	3,336,346	3,336,346
S R Bertram	140,000	140,000	140,000
N S Cumming	300,000	327,000	327,000
P Everett	21,743	21,743	21,743
Sir M Rifkind	1,300	1,300	1,300
D F Stover	1,000	1,000	1,000
V Lall	–	–	–
	3,807,294	3,827,389	3,827,389

Pensions

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

Retirement benefits are accruing to the four Executive Directors (2002: 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 Directors belong to a non-contributory scheme where the Company contributes at a rate of 15% of salary.

Peter Everett
Chairman, Remuneration Committee
21 June 2004

Auditors' Report to the shareholders of Ramco Energy plc

Independent auditors' report to the members of Ramco Energy plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the remuneration report ('the auditable part').

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 auditable part of the Remuneration Report 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 we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the 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 to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 auditable part of the Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 auditable part of the Remuneration Report 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.

Going concern – fundamental uncertainty

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 current borrowing facilities and ongoing negotiations with its bankers and certain third parties and the outstanding litigation proceedings in the United States.

The financial statements have been prepared on a going concern basis, the validity of which depends on the Directors reaching a satisfactory resolution of debt re-scheduling negotiations with the Group's bankers. In addition the discussions with the Group's bankers and certain third parties include possible additional funding for a work programme to improve or, at a minimum, maintain production from the Seven Heads field. Should the Group's bankers not continue to provide support, 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. Details of the circumstances relating to these fundamental uncertainties are described in note 1.

Furthermore, we have considered the adequacy of the disclosures made in note 27(b) of the financial statements concerning the ongoing litigation in the United States. The final settlement of this case could result in additional liabilities for which no provision has been made, and which therefore may materially affect the Group's financial statements.

Our opinion is not qualified in respect of these matters.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2003 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Aberdeen
21 June 2004

Consolidated Profit and Loss Account

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover – Group and share of joint venture and associates	2	23,873	18,773
Less share of joint venture and associates		(3,041)	(1,964)
Group turnover	2	20,832	16,809
Cost of sales before exceptional items		(24,249)	(23,560)
Exceptional items	5	(99,174)	–
Cost of sales after exceptional items		(123,423)	(23,560)
Gross loss		(102,591)	(6,751)
Administrative expenses		(1,778)	(1,430)
Loss on exchange		(686)	(2,750)
Group operating loss		(105,055)	(10,931)
Investment income		3	–
Share of operating profit/(loss) in joint venture and associates	2	219	(34)
Loss before interest and taxation		(104,833)	(10,965)
Net interest receivable	6	738	1,765
Loss on ordinary activities before taxation	2	(104,095)	(9,200)
Tax on loss on ordinary activities	7	27,404	(142)
Loss for the financial year	20	(76,691)	(9,342)
Loss per ordinary share – basic and fully diluted			
On loss for the financial year	8	(278.2)p	(35.9)p

The results relate to continuing operations.

There is no material difference between the loss on ordinary activities before taxation and the 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 2003

	2003 £'000	2002 £'000
Loss for the financial year	(76,691)	(9,342)
Unrealised translation differences on foreign currency net investments	(35)	83
Total recognised losses relating to the year	(76,726)	(9,259)

The notes on pages 29 to 51 form part of these financial statements.

Balance Sheets

As at 31 December 2003

		Group		Company	
	Note	2003 £'000	2002 £'000	2003 £'000	2002 restated £'000
Fixed assets					
Intangible assets	9	4,536	2,895	-	-
Development assets	10	-	40,980	-	-
Other tangible fixed assets	11	72,782	12,343	1,820	2,006
Investments					
Share of joint venture's gross assets		2,266	2,785	-	-
Share of joint venture's gross liabilities		(1,164)	(1,784)	-	-
Share of joint venture's net assets		1,102	1,001	-	-
In subsidiaries		-	-	3,000	3,000
In associated undertakings		26	9	-	-
Other fixed asset investments		102	111	102	109
Total investments	12	1,230	1,121	3,102	3,109
		78,548	57,339	4,922	5,115
Current assets					
Stocks	13	2,265	442	-	-
Debtors: amounts falling due after one year	14	-	3,836	-	-
Debtors: amounts falling due within one year	14	7,393	23,540	4,160	108,745
Cash at bank and in hand		3,287	24,009	2,125	17,050
		12,945	51,827	6,285	125,795
Creditors: amounts falling due within one year	15	(28,070)	(33,974)	(807)	(79,383)
Net current (liabilities)/assets		(15,125)	17,853	5,478	46,412
Total assets less current liabilities		63,423	75,192	10,400	51,527
Creditors: amounts falling due after more than one year	16	(50,055)	-	-	-
Provision for liabilities and charges	17	(5,466)	(3,147)	(38)	(54)
Net assets		7,902	72,045	10,362	51,473
Capital and reserves					
Called up share capital	18	3,014	2,620	3,014	2,620
Share premium account	20	68,576	56,410	68,576	56,410
Revaluation reserve	20	810	787	41	-
Other reserves	20	(37)	(2)	-	-
Profit and loss account	20	(64,461)	12,230	(61,269)	(7,557)
Equity shareholders' funds	21	7,902	72,045	10,362	51,473

These financial statements were approved by the Board of Directors on 21 June 2004.

The notes on pages 29 to 51 form part of these financial statements.



S E Remp
Executive Chairman

S R Bertram
Group Financial Director



Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from continuing operating activities	26(a)	4,177	39,150
Returns on investments and servicing of finance			
Interest received		901	1,452
Dividends received		3	–
Interest paid		(615)	(68)
Net cash inflow from returns on investments and servicing of finance		289	1,384
Taxation			
Overseas tax paid		(211)	(402)
Taxation paid		(211)	(402)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(277)	(753)
Sale of tangible fixed assets		18	16
Oil and gas expenditure – intangible assets		(2,600)	(25,623)
Oil and gas expenditure – development assets		(94,678)	–
Net cash outflow for capital expenditure and financial investment		(97,537)	(26,360)
Acquisitions and disposals			
Purchase of subsidiary undertakings		–	(2,000)
Net cash outflow from acquisitions and disposals		–	(2,000)
Cash (outflow)/inflow before management of liquid resources and financing		(93,282)	11,772
Management of liquid resources			
Net transfer from/(to) term deposits		14,184	(14,159)
Net cash outflow before financing		(79,098)	(2,387)
Financing			
Issue of share capital (net of issue costs of £529,000)	18	12,560	21
Increase in debt	16	60,000	–
Net cash inflow from financing		72,560	21
Decrease in cash	26(b)	(6,538)	(2,366)

The notes on pages 29 to 51 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2003

1 Presentation of Accounts and Accounting Policies

Description of Business

Ramco Energy plc is an international energy company which operates 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 specialises in downhole tubular maintenance and pipeline coatings, operating in the UK, Norway and Japan.

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', except that reserve information has not been disclosed for the reasons set out on page 10. A summary of the more important accounting policies is set out below. These have been applied consistently, except as regards the prior year adjustment.

Basis of Preparation – 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.

There are two areas of uncertainty as to whether or not the Group can be considered a going concern.

The first area of uncertainty is the future of the Group's wholly owned subsidiaries Ramco Seven Heads Limited (RSHL) and Northern Exploration Limited (NEL). RSHL and NEL together have an 86.5% interest in the Seven Heads gas field which commenced production in December 2003. RSHL and NEL entered into a finance agreement with the Group's bankers under which finance totalling £68.6 million was provided to fund the Seven Heads gas development, £12 million of which was guaranteed by Ramco Oil Services Limited (ROSL), another wholly owned subsidiary of the Group. Shortly after production commenced, as notified to shareholders in January 2004, production of gas suffered a significant decline. The lower than anticipated production from the field, coupled with the unforeseen costs of technical studies and the back up transportation system mean that RSHL and NEL are generating much less cash from the field than had been expected. Cash generated at present levels of production is sufficient to cover ongoing operating costs and interest on finance. It is however insufficient to cover repayments of loan principal. On 30 June 2004 an amount of £5 million is due under the terms of the existing facility agreement which, with the present cash generation from the field, RSHL and NEL would be unable to meet. Discussions have been ongoing with the Group's bankers since early in 2004 over the rescheduling of the £56.6 million non-recourse project loans and the £12 million loan secured on the equity of ROSL. The net assets of this subsidiary, together with its wholly owned subsidiaries, included in the consolidated balance sheet at 31 December 2003 amount to £9.5 million.

Detailed technical studies of the field have been ongoing since the production difficulties were first encountered. Those studies are expected to be concluded by the end of July 2004. To the extent that the ongoing technical review of the field recommends further work, such as acquisition of 3D seismic, reworking existing wells, drilling new wells or provision of compression, it is likely that significant additional funds will be required. Discussions with the Group's bankers and a number of third parties as to how this additional investment might be structured are continuing.

The Group's bankers have confirmed in writing:

- A waiver of the first repayment in principal of £5 million due on 30 June 2004
- A waiver of breaches of covenants to date under the loan facilities.

These waivers are for the period ending 31 August 2004 which, as indicated above, is after the expected conclusion of the technical studies of the field.

The second area of uncertainty is the outcome of the ongoing litigation in the United States detailed in note 27(b) to the financial statements. Because of the uncertainty surrounding the range of possible outcomes the Directors consider it is 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. A provision of \$1 million (£559,000) has been made in the 2003 accounts accordingly.

The Directors have prepared cash flow forecasts for the Group for the period ending 18 months from the date of approval of these financial statements. These indicate that the Group will have adequate cash resources to meet its obligations, with the exception of the repayment of loan principal, as they fall due. The Directors have assumed there will be a successful outcome of the technical work programme and negotiations with the Group's bankers and third parties concerning the rescheduling of the project loans and funding for the technical work. The Group's bankers have confirmed that it is not their intention to withdraw the finance facilities while the technical work and negotiations are ongoing. 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 these 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.

Accounting Policies

Basis of accounting

These financial statements are prepared under the historical cost convention modified to incorporate the revaluation of certain fixed assets.

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 ventures or associated undertakings.

Notes to the Financial Statements continued

For the year ended 31 December 2003

1 Presentation of Accounts and Accounting Policies continued

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 other 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 the 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. Freehold land and buildings were professionally revalued at 31 December 1999. Subsequent additions are included at cost. The basis of valuation is stated in note 11 to the financial statements. 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

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.

Foreign currencies

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

The Group holds derivative financial instruments, with the approval of the Board, and uses such instruments to manage its exposure to fluctuations on foreign currency exchange rates, interest rates and movements in oil and gas prices. Further details are given in note 23.

Taxation

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

1 Presentation of Accounts and Accounting Policies *continued*

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 operates 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.

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.

Prior year adjustment – Company

In order to bring the Group in line with general industry practice the Board decided to amend the policy of revaluing the investments in subsidiary undertakings at the end of the year. 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. Previously all shares in Group undertakings were revalued on the basis of the Company's share of the underlying net assets or net liabilities. The effect of this change in accounting policy is that the provisions of £20.6 million made in previous years and reflected in the balance sheet of the Company have been reversed, reflected as a prior year adjustment.

Notes to the Financial Statements continued

For the year ended 31 December 2003

2 Segmental Reporting

The analyses by both business and geographical segments of the Group's turnover, profit before taxation and net assets are set out below.

	Oil and Gas		Oil Services		Total	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Turnover by origin						
United Kingdom	-	-	12,091	16,516	12,091	16,516
Norway	-	-	1,913	2,074	1,913	2,074
Japan	-	-	57	183	57	183
Ireland	9,812	-	-	-	9,812	-
	9,812	-	14,061	18,773	23,873	18,773
Less joint venture and associates (UK)	-	-	(3,041)	(1,964)	(3,041)	(1,964)
Group turnover	9,812	-	11,020	16,809	20,832	16,809
Operating (loss)/profit						
Former Soviet Union	75	(3,456)	-	-	75	(3,456)
Central and eastern Europe	(5,632)	(3,205)	-	-	(5,632)	(3,205)
United Kingdom	(2,324)	(1,521)	748	1,620	(1,576)	99
Ireland	(95,941)	(825)	-	-	(95,941)	(825)
Norway	-	-	791	756	791	756
Rest of Europe	(77)	(6)	-	-	(77)	(6)
Japan	-	-	(12)	(148)	(12)	(148)
	(103,899)	(9,013)	1,527	2,228	(102,372)	(6,785)
Less joint venture and associates	(30)	45	(189)	(11)	(219)	34
Gross (loss)/profit	(103,929)	(8,968)	1,338	2,217	(102,591)	(6,751)
Joint venture and associates	30	(45)	189	11	219	(34)
	(103,899)	(9,013)	1,527	2,228	(102,372)	(6,785)
Administrative expenses	(1,245)	(1,001)	(533)	(429)	(1,778)	(1,430)
Investment income	3	-	-	-	3	-
(Loss)/gain on exchange	(706)	(2,597)	20	(153)	(686)	(2,750)
(Loss)/profit before interest and taxation	(105,847)	(12,611)	1,014	1,646	(104,833)	(10,965)
Net interest	-	-	-	-	738	1,765
Loss before taxation					(104,095)	(9,200)
Net assets						
Former Soviet Union	464	681	-	-	464	681
Central and eastern Europe	4,236	6,767	-	-	4,236	6,767
United Kingdom	19,583	8,755	4,715	14,109	24,298	22,864
Ireland	(3,187)	41,204	-	-	(3,187)	41,204
Norway	-	-	1,262	475	1,262	475
Rest of Europe	(19,224)	26	-	-	(19,224)	26
Japan	-	-	53	28	53	28
	1,872	57,433	6,030	14,612	7,902	72,045

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 Loss

	2003 £'000	2002 £'000
This is stated after charging or (crediting):		
Amounts written off in respect of intangible oil and gas assets	959	5,007
Depreciation of tangible fixed assets	1,380	940
Amortisation of goodwill – joint venture	30	30
Operating lease rentals – land and buildings	186	292
Operating lease rentals – plant, fixtures and equipment	345	600
Gain on disposal of tangible fixed assets	–	(15)
Loss on exchange	686	2,750
Auditors' remuneration for – Audit (Company: £40,000; 2002: £28,000)	131	114

	2003 £'000	2002 £'000
During the year the Group obtained the following non-audit services from the Auditors:		
Tax services – advisory	154	130
– compliance	125	121
Other services – share placing	53	–
	332	251

4 Employees and Directors

The average monthly number of employees including Executive Directors during the year:

	2003 Number	2002 Number
Oil Services	99	129
Oil and Gas	9	12
Head office and management	10	11
	118	152

	2003 £'000	2002 £'000
Staff costs during the year amounted to:		
Wages and salaries	4,104	4,708
Social security costs	454	498
Other pension costs (note 22)	333	316
	4,891	5,522

5 Exceptional Items

	2003 £'000	2002 £'000
Impairment provision – Seven Heads	92,969	–
Exploration write off – Poland	5,646	–
Legal provision (note 27(b))	559	–
	99,174	–

Notes to the Financial Statements continued

For the year ended 31 December 2003

6 Interest

	2003 £'000	2002 £'000
Receivable		
Bank interest	314	1,570
Other	550	263
	864	1,833
Payable		
Bank interest	(119)	(2)
Other	(7)	(66)
	(126)	(68)
Net interest receivable	738	1,765

7 Taxation

Analysis of charge in period	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Current tax:				
UK corporation tax at 30% (2002: 30%)	211		190	
Double taxation relief	(211)		(190)	
Share of joint ventures and associates	43		(8)	
Adjustments in respect of previous periods	(25,044)		(77)	
		(25,001)		(85)
Foreign tax		365		212
Total current tax		(24,636)		127
Deferred tax:				
Origination and reversal of timing differences	(18)		-	
Adjustments in respect of previous periods	(2,750)		15	
Total deferred tax		(2,768)		15
Tax on loss on ordinary activities		(27,404)		142

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	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(104,095)	(9,200)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(31,228)	(2,760)
Effects of:		
Expenses not deductible for tax purposes	(1,287)	776
Capital allowances in excess of depreciation	27,377	(15)
Foreign taxes	(80)	22
Unrecognised tax losses	5,643	2,181
Adjustments to tax in respect of prior period	(25,044)	(77)
Rate difference	(17)	-
	(24,636)	127

The tax credit for the year includes a credit of £27.8 million reflecting a release of the provision for tax on the profit that arose on the disposal of the Group's interest in the ACG field in Azerbaijan in 2000. The credit comprises £25 million of current tax and £2.8 million of deferred tax. Due to the losses arising from the impairment of the Group's interest in the Seven Heads gas field, the tax liability is no longer expected to be payable.

8 Loss Per Share

Basic and fully diluted loss per share

The calculation of loss per share is based on the loss for the financial year of £76.7 million (2002: loss £9.3 million) and 27,570,483 (2002: 26,037,656) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

As a loss was recorded in both 2002 and 2003 the exercise of share options would not have been dilutive and accordingly in each year the basic and fully diluted loss are the same.

9 Intangible Fixed Assets

Intangible	Group exploration costs		Company exploration costs	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
At 1 January	2,895	13,076	-	-
Additions	2,600	35,806	-	-
Costs written off	(959)	(5,007)	-	-
Transfer to development assets	-	(40,980)	-	-
At 31 December	4,536	2,895	-	-

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves. The costs written off relate to the Polish acreage. At 31 December 2003, intangible fixed assets totalled £4.5 million, all of which relates to Ireland and central and eastern Europe.

10 Development Assets

Cost	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
At 1 January	40,980	-	-	-
Additions	109,028	-	-	-
Transfer to tangible assets	(150,008)	-	-	-
Transfer from intangible assets	-	40,980	-	-
At 31 December	-	40,980	-	-

Notes to the Financial Statements continued

For the year ended 31 December 2003

11 Other Tangible Fixed Assets

	Producing assets £'000	Land and buildings Freehold £'000	Long leasehold £'000	Plant, fixtures and equipment £'000	Total £'000
Group:					
Cost or valuation:					
At 1 January 2003	–	9,874	1,113	7,438	18,425
Retranslation	–	–	–	(46)	(46)
Additions	–	205	–	63	268
Transfer from development assets	150,008	–	–	–	150,008
Decommissioning asset	4,540	–	–	–	4,540
Disposals	–	–	–	(292)	(292)
At 31 December 2003	154,548	10,079	1,113	7,163	172,903
Of which: At cost	154,548	4,254	1,113	7,163	167,078
At valuation	–	5,825	–	–	5,825
	154,548	10,079	1,113	7,163	172,903
Depreciation:					
At 1 January 2003	–	182	502	5,398	6,082
Retranslation	–	–	–	(35)	(35)
Provided during the year	509	85	152	634	1,380
Impairment (note 5)	92,969	–	–	–	92,969
Disposals	–	–	–	(275)	(275)
At 31 December 2003	93,478	267	654	5,722	100,121
Net book value:					
At 31 December 2003	61,070	9,812	459	1,441	72,782
At 31 December 2002	–	9,692	611	2,040	12,343
Company:					
Cost or valuation:					
At 1 January 2003	–	1,519	–	1,022	2,541
Disposals	–	–	–	(34)	(34)
At 31 December 2003	–	1,519	–	988	2,507
Of which: At cost	–	1,519	–	988	2,507
At valuation	–	–	–	–	–
	–	1,519	–	988	2,507
Depreciation:					
At 1 January 2003	–	30	–	505	535
Provided during the year	–	30	–	139	169
Disposals	–	–	–	(17)	(17)
At 31 December 2003	–	60	–	627	687
Net book value:					
At 31 December 2003	–	1,459	–	361	1,820
At 31 December 2002	–	1,489	–	517	2,006

Freehold land and buildings includes interest capitalised of £236,000 (2002: £236,000). No interest has been capitalised since 1993 when construction of the facility at Badentoy, Aberdeen was completed. 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).

11 Other Tangible Fixed Assets *continued*

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

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Historical cost:				
At 31 December	5,631	5,631	-	-
Depreciation:				
At 31 December	577	492	-	-
Capital commitments:				
Contracts placed for future capital expenditure not provided in the financial statements	1,600	29,381	-	-

12 Investments

	Other fixed asset investments £'000	Joint venture £'000	Associated undertakings £'000	Total £'000
Group:				
Cost or valuation:				
At 1 January 2003				
Goodwill	-	300	-	300
Net assets	263	874	9	1,146
	263	1,174	9	1,446
Revaluation	41	-	-	41
Written off	(17)	-	-	(17)
Share of retained profit for the year	-	131	17	148
At 31 December 2003	287	1,305	26	1,618
Goodwill	-	300	-	300
Net assets	287	1,005	26	1,318
	287	1,305	26	1,618
Amounts written off:				
At 1 January 2003				
Goodwill	-	173	-	173
Net assets	152	-	-	152
	152	173	-	325
Amortisation of goodwill	-	30	-	30
Provision	33	-	-	33
At 31 December 2003	185	203	-	388
Goodwill	-	203	-	203
Net assets	185	-	-	185
	185	203	-	388
Net book value:				
At 31 December 2003				
Goodwill	-	97	-	97
Net assets	102	1,005	26	1,133
	102	1,102	26	1,230
Net book value:				
At 31 December 2002				
Goodwill	-	127	-	127
Net assets	111	874	9	994
	111	1,001	9	1,121

Notes to the Financial Statements continued

For the year ended 31 December 2003

12 Investments continued

	Other fixed asset investments £'000	Subsidiary undertakings restated £'000
Company:		
At 1 January 2003	109	3,000
Provisions	(31)	—
Revaluation	41	—
Written off	(17)	—
At 31 December 2003	102	3,000

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

	2003 £'000	2002 £'000
Share of:		
Goodwill	97	127
Tangible fixed assets	1,571	1,792
Current assets	598	866
Liabilities due within one year	(888)	(1,493)
Provisions for liabilities and charges	(276)	(291)
	1,102	1,001

The Group's share of the undistributed retained earnings of its joint venture amounted to £655,000 at 31 December 2003 (2002: £524,000).

Share of results of joint venture:	2003 £'000	2002 £'000
British Steel Ramco Pipeline Services Limited		
Turnover	3,931	2,978
Profit before taxation	333	36
Group share 50%	166	18
Group share of profit after tax	131	25

The principal operating Group undertakings at 31 December 2003 are listed in note 28.

13 Stocks

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Consumables, equipment and stores	2,265	442	—	—

14 Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 restated £'000
Amounts falling due within year:				
Trade debtors	3,581	4,520	15	1
Amounts owed by subsidiary undertakings	–	–	3,470	105,268
Amounts owed by associated undertakings*	1,781	2,352	–	–
Group relief receivable	–	–	219	456
Value added tax and other taxes	444	369	280	259
Other debtors	1,234	15,818	37	1
Dividends receivable from subsidiaries	–	–	–	2,600
Prepayments	353	481	139	160
	7,393	23,540	4,160	108,745

*All trading balances.

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts falling due after one year:				
Amounts owed by associated undertakings	(1) 5,428	3,836	–	–
Provision	(5,428)	–	–	–
	–	3,836	–	–

(1) This relates to a loan due from Medusa Oil & Gas (Poland) Sp. z o.o. It is due to be repaid in equal annual instalments commencing on 31 December 2005. Full repayment is due by 31 December 2010. Interest is calculated daily at a rate equal to 12 month US Dollar LIBOR plus 3% and is payable annually, commencing 31 December 2005. A full provision has been made against the amount due as a result of the write down of the Polish acreage, and is included in the exceptional item referred to in note 5.

15 Creditors – Amounts Falling Due Within One Year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts falling due within one year:				
Bank loan (note 16)	10,000	–	–	–
Trade creditors	2,899	2,099	557	442
Amounts owed to subsidiary undertakings	–	–	1	78,667
Corporation tax	358	25,236	–	–
Other taxes and social security	226	277	82	127
Accruals	14,217	6,355	167	147
Other creditors	370	7	–	–
	28,070	33,974	807	79,383

Corporation tax includes overseas tax payable.

Notes to the Financial Statements continued

For the year ended 31 December 2003

16 Creditors – Amounts Falling Due After More Than One Year

Amounts falling due after more than one year:	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans	50,055	–	–	–
	50,055	–	–	–

Details of borrowings entered into during the year are as follows:

Project Finance – Seven Heads Gas Field

The Group's interest in the gas field is held by two wholly owned subsidiaries, Ramco Seven Heads Limited (RSHL) and Northern Exploration Limited (NEL). 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. The principal terms of this facility are as follows:

Repayment is due in six monthly instalments commencing on 30 June 2004 with full repayment due by 30 June 2009. The OSGB is scheduled to be repaid before the borrowing base amount.

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. The principal terms of this facility are as follows:

Repayment is due in six monthly instalments commencing after full repayment of the senior facility.

Interest is calculated daily at a rate equal to six month sterling LIBOR plus 6.0% and is payable six monthly in arrears.

A royalty is payable on a sliding scale from 1.125% to 3.375% of gross revenues once gross field production of 15.3 bcf per annum is achieved. The royalty is payable six monthly in arrears.

Security

Senior facility borrowing base amount and mezzanine facility

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.

OSGB

First ranking pledge over the shares in Ramco Oil Services Limited (ROSL).

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. At 31 December 2003 ROSL was in breach of this covenant. The breach has been waived by the Group's bankers.

Mezzanine facility

The covenants are the same as those for the senior facility except that there are no covenants in respect of ROSL or the OSGB.

17 Provision for Liabilities and Charges

	Legal fees £'000	Decommissioning provision £'000	Vacant properties £'000	Deferred tax £'000	Total £'000
Group:					
At 1 January 2003	–	–	50	3,097	3,147
Provided in the year	559	4,540	–	–	5,099
Released to the profit and loss account	–	–	(12)	(2,768)	(2,780)
At 31 December 2003	559	4,540	38	329	5,466
	Legal fees £'000	Decommissioning provision £'000	Vacant properties £'000	Deferred tax £'000	Total £'000
Company:					
At 1 January 2003	–	–	50	4	54
Released to the profit and loss account	–	–	(12)	–	(12)
Utilised during the year	–	–	–	(4)	(4)
At 31 December 2003	–	–	38	–	38

Legal fees

The legal fee provision of £559,000 relates to the estimated cost of pursuing the appeal process in relation to the legal case described in note 27 (b).

Decommissioning

The decommissioning provision of £4.5 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.

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. The provision at 31 December 2003 is based on appropriately discounted cash flows.

Deferred taxation

Deferred taxation is provided in the financial statements as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Capital allowances in advance of depreciation	329	350	–	4
Reclassification from current to deferred	–	2,747	–	–
	329	3,097	–	4
Provision at 1 January	3,097	335	4	9
Deferred tax charge in profit and loss account for year	(2,768)	15	(4)	(5)
Reclassification from current to deferred	–	2,747	–	–
Provision at 31 December	329	3,097	–	4

The unprovided asset for deferred taxation is as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Capital allowances in advance of depreciation	(28,196)	–	(18)	–
Capital gains tax held over on deferred gains	27,779	–	–	–
Short term timing differences	(26)	–	–	–
Unrelieved losses (includes prior year adjustment of £3.2 million)	(12,822)	(11,076)	(682)	(502)
Unrelieved capital losses (includes prior year adjustment of £100,000)	(800)	–	(132)	–
	(14,065)	(11,076)	(832)	(502)

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

Notes to the Financial Statements continued

For the year ended 31 December 2003

18 Share Capital

	2003 £'000	2002 £'000
Authorised:		
40,000,000 (2002: 40,000,000) ordinary shares of 10p each	4,000	4,000
Allotted, called up and fully paid:		
30,144,713 (2002: 26,202,713) ordinary shares of 10p each	3,014	2,620

During the period from 1 January 2003 to 31 December 2003 the following new ordinary shares of 10p each were issued.

Date of issue	No. of shares	Reason for change	Price
17 April 2003	27,000	Exercise of share options	125p
20 June 2003	1,295,000	Share placing	300p
26 September 2003	2,620,000	Share placing	350p
Total	3,942,000		

The share placings in June and September were used to provide funds for capital expenditure in connection with oil and gas projects. Total consideration for the new shares issued in 2003 was £13.1 million. Costs associated with the issue of these shares were £529,000.

Between 1 January 2004 and 31 May 2004 no new shares were issued.

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.

	2003		2002	
	Pence per share High	Pence per share Low	Pence per share High	Pence per share Low
First quarter	262.5	220.0	402.5	330.0
Second quarter	317.0	220.0	352.5	327.5
Third quarter	415.0	312.5	357.5	247.5
Fourth quarter	377.5	307.5	274.0	222.5

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 2003 the following options were outstanding:

Option price	2003	2002	Exercisable at 31 Dec 2003	Remaining contractual life	Normal exercise dates	Target variable	Target
125p	–	27,000	–	–	1/7/96 – 30/6/03	EPS	> RPI
595p	30,000	30,000	30,000	2.4 years	10/5/99 – 9/5/06	EPS	> RPI
755p	98,400	103,900	98,400	2.9 years	7/11/99 – 6/11/06	EPS	> RPI
1095p	2,000	2,000	2,000	3.2 years	25/2/00 – 24/2/07	EPS	> RPI
1095p	2,500	2,500	2,500	3.2 years	19/3/00 – 18/3/07	EPS	> RPI
675p	247,000	265,000	247,000	4.3 years	30/4/01 – 29/4/08	EPS	> RPI
675p	51,500	51,500	51,500	4.3 years	5/5/01 – 4/5/08	EPS	> RPI
395p	10,200	10,200	–	5.5 years	17/7/02 – 16/7/09	TSR	> RPI+5% p.a.
395p	52,300	52,300	–	5.5 years	17/7/04 – 16/7/09	TSR	> RPI+10% p.a.
347.5p	187,265	188,985	–	7.4 years	11/5/04 – 10/5/11	TSR	(2)
347.5p	308,235	310,515	–	7.4 years	11/5/06 – 10/5/11	TSR	(1)
335p	17,280	19,800	–	7.9 years	2/11/04 – 1/10/11	TSR	(2)
335p	30,720	35,200	–	7.9 years	2/11/06 – 1/10/11	TSR	(1)
335p	15,300	15,300	–	8.4 years	5/6/05 – 4/6/12	TSR	(2)
335p	3,200	3,200	–	8.4 years	5/6/07 – 4/6/12	TSR	(1)
222.5p	900	900	–	8.8 years	11/10/05 – 10/10/12	TSR	(2)
222.5p	25,600	25,600	–	8.8 years	11/10/07 – 10/10/12	TSR	(1)
350p	33,480	–	–	9.8 years	14/10/06 – 13/10/13	TSR	(2)
350p	59,520	–	–	9.8 years	14/10/08 – 13/10/13	TSR	(1)
	1,175,400	1,143,900	431,400				

- (1) Before these options can be exercised Ramco must be in the top third of the table of growth in Total Shareholder Return of the companies in the FTSE all share index.
- (2) Before these options can be exercised Ramco must be in the top two thirds of the table of growth on Total Shareholder Return of the companies in the FTSE all share index.
- EPS Earnings per share
TSR Total Shareholder Return
RPI Retail Price Index

Details of the Directors' options which are included in the above figures are shown in the Remuneration Report on pages 23 and 24.

	2003 Weighted average Shares Exercise price		2002 Weighted average Shares Exercise price	
Options outstanding at 1 January	1,143,900	478p	1,273,150	466p
Options exercised	(27,000)	125p	(26,000)	80p
Options granted	93,000	350p	45,000	269p
Options cancelled	(34,500)	581p	(148,250)	376p
Options outstanding at 31 December	1,175,400	473p	1,143,900	478p
Options available for grant 31 December	222,841		186,581	
Options exercisable at 31 December	431,400	692p	481,900	660p
Option price range				
At 31 December	222.5p to 1095p		125p to 1095p	
For exercised options	125p		80p	

No options expired during the current or prior year.

Notes to the Financial Statements continued

For the year ended 31 December 2003

20 Reserves

	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit & loss account £'000
Group:				
At 1 January 2003	56,410	787	(2)	12,230
Issue of ordinary share capital	12,166	–	–	–
Exchange difference on retranslation	–	–	(35)	–
Movement on revaluation	–	41	–	–
Loss for the financial year	–	–	–	(76,691)
Amortisation of deferred gain on asset sold to joint venture	–	(18)	–	–
At 31 December 2003	68,576	810	(37)	(64,461)

Other reserves comprise an exchange loss on retranslation.

Included in the profit and loss account above is £5,000 (2002: £(41,000)) representing the retained earnings/(losses) of the Group's associated undertakings and £655,000 (2002: £524,000) for the Group's joint venture.

	Share premium account £'000	Revaluation reserve restated £'000	Other reserves £'000	Profit & loss account restated £'000
Company:				
At 1 January as previously reported	56,410	29,076	–	(16,061)
Prior year adjustment	–	(29,076)	–	8,504
At 1 January 2003 as restated	56,410	–	–	(7,557)
Issue of ordinary share capital	12,166	–	–	–
Movement on revaluation	–	41	–	–
Loss for the year	–	–	–	(53,712)
At 31 December 2003	68,576	41	–	(61,269)

21 Movement in Shareholders' Funds

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 restated £'000
Loss for the financial year	(76,691)	(9,342)	(53,712)	(4,064)
Other recognised gains and losses relating to the year	(35)	83	–	–
Issue of ordinary share capital	12,560	1,021	12,560	1,021
Movement in revaluation	41	–	41	–
Amortisation of deferred gain on asset sold to joint venture	(18)	(18)	–	–
Net change in shareholders' funds	(64,143)	(8,256)	(41,111)	(3,043)
Shareholders' funds at 1 January	72,045	80,301	51,473	54,516
Shareholders' funds at 31 December	7,902	72,045	10,362	51,473

22 Pension Commitments

The Group operates 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 £333,000 (2002: £316,000). Contributions totalling £nil (2002: £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 23 and 24.

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 investments, 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.

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 has been fixed at the following rates:

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

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.

The loan facility with the Group's bankers included a draw down in Euros which is intended to hedge against the fluctuations in the Euro. The amount hedged is 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

During the year 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 and August 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. The interest periods for these hedges run to 30 June and 31 December.

Amount	Effective date	Termination date	Fixed rate of interest
£14,000,000	23 Apr 03	24 Apr 06	4.03%
£16,000,000	12 Sep 03	30 Jun 09	4.53%

Board approval is required for all new borrowing facilities. Details of interest rate profiles are shown below.

Notes to the Financial Statements continued

For the year ended 31 December 2003

23 Derivatives and Other Financial Instruments *continued*

(a) Interest rate risk profile of financial assets

The interest rate risk profile of financial assets of the Group at 31 December 2003 is as follows:

Currency	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets on which no interest is earned £'000	Total £'000
Sterling	–	2,566	5	2,671
US Dollar	–	193	159	352
Euro	–	7	–	7
Norwegian Kroner	–	238	2	240
Other	–	15	2	17
	–	3,119	168	3,287

The interest rate risk profile of financial assets of the Group at 31 December 2002 was as follows:

Currency	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets on which no interest is earned £'000	Total £'000
Sterling	–	7,822	16	7,838
US Dollar	14,184	1,532	21	15,737
Euro	–	–	–	–
Norwegian Kroner	–	313	1	314
Other	–	117	3	120
	14,184	9,784	41	24,009

Financial assets include cash, deposits and investments.

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 2003 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	30,000	27,942	57,942	4.3%	4.1 years
Euro	–	2,113	2,113	–	–
	30,000	30,055	60,055	4.3%	4.1 years

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

There were no financial liabilities of the Group at 31 December 2002.

All of the Group's creditors falling due after more than one year (other than bank loans) are excluded from the above table as they do not meet the definition of a financial liability.

23 Derivatives and Other Financial Instruments *continued*

Maturity profile

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

	2003 £'000	2002 £'000
In one year or less, or on demand	10,000	–
In more than one year but not more than two years	16,000	–
In more than two years but not more than five years	34,055	–
	60,055	–

At the end of December the Mezzanine element of the facility remained undrawn. This was drawn down on 5 January 2004.

(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 2003, currency exposures are as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)			
	Euro £'000	US Dollars £'000	Other £'000	Total £'000
Sterling	(2,105)	195	256	(1,654)
Norwegian Kroner	–	158	–	158
	(2,105)	353	256	(1,496)

Foreign exchange losses totalling £686,000 (2002: losses £2.7 million) have been recognised in the profit and loss account for the year.

At 31 December 2002, currency exposures were as follows:

Functional currency of Group operation	Net foreign currency monetary assets			
	Euro £'000	US Dollars £'000	Other £'000	Total £'000
Sterling	–	21,771	433	22,204
Norwegian Kroner	–	19	–	19
	–	21,790	433	22,223

(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 2003. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2003		2002	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments				
Cash	3,287	3,287	9,825	9,825
Short term deposits	–	–	14,184	14,184
Short term borrowings	(10,000)	(10,000)	–	–
Long term borrowings	(50,055)	(50,055)	–	–
Other financial liabilities	(5,137)	(5,137)	(50)	(50)
Derivative financial instruments held to manage risk				
Interest rate swaps	–	262	–	–
Gas price swaps	–	(10,772)	–	–
	(61,905)	(72,415)	23,959	23,959

Notes to the Financial Statements continued

For the year ended 31 December 2003

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.

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.

Short term loans, 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 rate 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.

	Gains £'000	2003 Losses £'000	Total £'000
Gains and losses on hedges at the beginning of the year	-	-	-
Gains or losses arising in previous years that were recognised in the year	-	-	-
Total - Gains or losses arising in the previous years that were not recognised in the year	-	-	-
Gains or losses arising in the year that were not recognised in the year	262	(10,772)	(10,510)
Unrecognised gains or losses on hedges at the end of the year	262	(10,772)	(10,510)
Of which:			
Gains and losses expected to be included in 2004 income	262	(3,590)	(3,328)
Gains and losses expected to be included in 2005 income or later	-	(7,182)	(7,182)

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

24 Other Financial Commitments

	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Group:				
Operating leases which expire:				
Within one year	96	9	98	13
In the second to fifth years inclusive	49	8	75	18
	145	17	173	31

Leases of land and buildings are subject to periodic 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, Executive 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. S E Remp has waived his entitlement to all royalties from this agreement. This royalty entitlement for 2003 would have been £1,000. N S Cumming received £1,000 of the royalties paid during the year and is entitled to £1,000 of the accrued royalties.

In addition to his Board fees as a Non-Executive Director, Sir Malcolm Rifkind undertakes consultancy including international travel on behalf of the Group. In the year to 31 December 2003 he received fees from the Group totalling £20,000 (2002: £20,000).

Brewin Dolphin Securities received fees for financial advice from the Group totalling £32,000 (excluding Board fees of £23,000). The ultimate holding company of Brewin Dolphin Securities is Brewin Dolphin Holdings PLC. Vikram Lall is a shareholder and Non-Executive Director of Brewin Dolphin Holdings PLC.

During the year the Group provided accounting and administrative services to British Steel Ramco Pipeline Services Limited ('BSR'), which is a joint venture. The total value of these services was £8,000 (2002: £8,000). The amount owed by BSR for these services and other expenditures at the end of the year was £186,000 (2002: £142,000). In addition, sales of £2.3 million (2002: £5.5 million) were made to Badentoy Tubular Services Limited ('BTS'), an associated undertaking. The amount owed at the end of the year by BTS was £1.1 million (2002: £1.7 million).

26 Notes to Consolidated Cash Flow Statement

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

	2003 £'000	2002 £'000
Operating loss	(105,055)	(10,931)
Amounts written off in respect of intangible oil and gas assets	959	5,007
Amortisation of goodwill	30	30
Depreciation on tangible fixed assets	1,380	940
Gain on sale of tangible fixed assets	-	(15)
Amortisation of deferred gain on asset sold to joint venture	(18)	(18)
Increase in stocks	(1,823)	(34)
Decrease in debtors	20,357	50,822
Decrease in creditors	(5,251)	(4,315)
Increase/(decrease) in other provisions	547	(2,455)
Impairment provision	92,969	-
Provision against investments	34	53
Exchange difference on retranslation	48	66
Net cash inflow from continuing operating activities	4,177	39,150

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

	2003 £'000	2002 £'000
Decrease in cash in the year	(6,538)	(2,366)
Cash inflow from increase in debt	(60,000)	-
Revaluation of bank loan - exchange difference	(55)	-
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(14,184)	14,159
Change in net (debt)/funds resulting from cash flows	(80,777)	11,793
Net (debt)/funds at start of the year		
Cash at bank and in hand	9,825	12,191
Short term deposits	14,184	25
	24,009	12,216
Net (debt)/funds at end of the year	(56,768)	24,009
Represented by:		
Cash at bank and in hand	3,287	9,825
Short term deposits	-	14,184
Debt due within 1 year	(10,000)	-
Debt due after 1 year	(50,055)	-
	(56,768)	24,009

Liquid resources represent short term deposits not qualifying as cash.

Notes to the Financial Statements continued

For the year ended 31 December 2003

26 Notes to Consolidated Cash Flow Statement *continued*

(c) Analysis of net (debt)/funds

	At 1 January 2003	Exchange	Cash	At 31 December 2003
Cash at bank and in hand	9,825	–	(6,538)	3,287
Short term deposits	14,184	–	(14,184)	–
Debt due within one year	–	–	(10,000)	(10,000)
Debt due after one year	–	(55)	(50,000)	(50,055)
	24,009	(55)	(80,722)	(56,768)

27 Litigation

- (a) During the year the Group reached agreement with Czech company Moravské Naftové Doly a.s. ('MND') on the settlement of a dispute between MND and a Group subsidiary Medusa Czech Operations Limited ('Medusa') which has been the subject of arbitration proceedings in Prague.

Under the terms of the settlement Ramco has received a total of \$2 million from MND and MND has acquired Medusa's interests in all tangible and intangible assets generated by the parties' venture in the Czech Republic as well as the share capital of Medusa which has no activities outside the scope of the venture with MND. Ramco had already written off its investments in the Czech Republic in full and has expensed the costs of asserting its claims in the arbitration and related proceedings.

- (b) Following a jury verdict in October 2003, the Texas State Court issued a final judgement 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 had been undertaken while Ramco was considering investment in an oilfield development project in Kazakhstan which Ramco subsequently decided not to pursue.

The principal elements of the judgement issued by the trial judge on 1 April 2004 were an award against Ramco for past and future damages of \$6.4 million plus interest and legal fees of \$9.8 million. The award of legal fees was made jointly and severally against Ramco and its co-defendant Halliburton. The plaintiff subsequently agreed settlement terms with Halliburton which has been dismissed from the case.

Ramco has been advised that it has strong substantive grounds for appeal and has filed motions to modify the judgement as well as notice of appeal against the judgement. Appeal to the Texas Appellant Court, which may be followed by a further appeal to the Texas Supreme Court, is expected to take several years to complete.

Because of the uncertainty surrounding the range of possible outcomes, the Directors consider it is 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 million (£559,000) has been made.

28 Group Undertakings

	Country of registration	Class of shares	Proportion held	Nature of business
(a) Principal operating subsidiary undertakings at 31 December 2003:				
Oil and Gas division				
Ramco Oil & Gas Limited	Scotland	Ordinary	100%	Oil and gas projects
Ramco Oil Limited	Scotland	Ordinary	100%	Oil and gas projects
Ramco Hazar Energy Limited (1)	Scotland	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas Limited	England	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas (Europe) B.V. (4)	Netherlands	Ordinary	100%	Oil and gas projects
Ramco Seven Heads Limited (6)	Scotland	Ordinary	100%	Oil and gas projects
Northern Exploration Limited (1)	Ireland	Ordinary	100%	Oil and gas projects
Ramco Oil & Gas B.V. (1)	Netherlands	Ordinary	100%	Oil and gas projects
Oil Services division				
Ramco Oil Services Limited	Scotland	Ordinary	100%	Holding company
Ramco Oil Services International Limited (2)	Scotland	Ordinary	100%	Holding company
Ramco Norway A/S (3)	Norway	Ordinary	100%	Tubular services
Ramco Tubular Services Limited (2)	Scotland	Ordinary	100%	Tubular services

In addition there are a number of dormant subsidiary undertakings.

(b) Associated undertakings at 31 December 2003:				
Badentoy Tubular Services Limited (2)	Scotland	Ordinary	33.3%	Tubular services
Medusa Oil & Gas (Poland) Sp. zo.o. (5)	Poland	Ordinary	41.5%	Oil and gas projects
(c) Joint venture at 31 December 2003:				
British Steel Ramco Pipeline Services Limited (2)	England	Ordinary	50%	Pipeline coating

- (1) Shares held by Ramco Oil & Gas Limited
(2) Shares held by Ramco Oil Services Limited
(3) Shares held by Ramco Oil Services International Limited
(4) Shares held by Medusa Oil & Gas Limited
(5) Shares held by Medusa Oil & Gas (Europe) B.V.
(6) Shares held by Ramco Oil & Gas B.V.

29 Contingent Liability

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. The work programme is partially complete. In the event that the balance of the work programme has not been completed by 15 February 2005, Medusa will be liable to pay a penalty of \$3 million to JPK. Medusa is in discussions regarding an extension to the deadline and consequently no provision is considered necessary.

Five Year Record

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 restated £'000
Group turnover	20,832	16,809	14,741	14,470	11,189
Cost of sales	(24,249)	(23,560)	(33,586)	(34,919)	(16,760)
Exceptional items	(99,174)	-	-	-	-
Gross loss	(102,591)	(6,751)	(18,845)	(20,449)	(5,571)
Administrative expenses	(1,778)	(1,430)	(1,644)	(1,616)	(1,310)
(Loss)/gain on exchange	(686)	(2,750)	2,277	249	184
Group operating loss	(105,055)	(10,931)	(18,212)	(21,816)	(6,697)
Income from interests in joint venture	166	18	188	701	523
Income/(loss) from interests in associates	53	(52)	11	5	-
Exceptional item – gain on disposal of oil and gas interest	-	-	3,448	88,792	-
(Loss)/profit before investment income, interest and taxation	(104,836)	(10,965)	(14,565)	67,682	(6,174)
Investment income	3	-	-	361	434
Interest income net	738	1,765	3,759	628	1,339
Taxation	27,404	(142)	(1,148)	(27,860)	(467)
Minority interests	-	-	-	-	99
(Loss)/profit for the financial year	(76,691)	(9,342)	(11,954)	40,811	(4,769)
(Loss)/earnings per share	(278.2)p	(35.9)p	(46.2)p	157.3p	(18.5)p
Weighted average number of shares used to compute (loss)/earnings per share	27,570,483	26,037,656	25,861,480	25,939,403	25,751,823