Ramco

NUMBER 62845

RAMCO ENERGY plc

ANNUAL REPORT
&
FINANCIAL STATEMENTS
2006

2006

Contents

Chairman's Statement

Dear Shareholder,

Although we obtained a decisive result from the Texas Court of Appeals in the Tenge lawsuit over a year ago, the case remained alive until April 2007 The ability of the plaintiffs to string out the case severely hampered our ability to access new opportunities through the issue of new shares, either to raise new capital or as consideration for acquisitions, and reduced our cash reserves

We were pleased to announce earlier this week, that we had raised £2 6 million through the sale of a proportion of our holding in our AIM listed subsidiary Lansdowne Oil & Gas plc (" Lansdowne") This funding will enable us to progress our strategy and to take advantage of the opportunities that we have identified and are currently evaluating

Financial Highlights

Consolidated Group turnover for 2006 was £1 0 million, down from £13 7 million in 2005 This reflects the disposal of the Group's Oil Services division in December 2005 and the sale of the Oil & Gas division's only producing asset, its interest in the Seven Heads gas field, in February 2006

The Group recorded a loss for the financial year, attributable to ordinary share holders, of £5 7 million in 2006 compared with a profit of £1 7 million in 2005 The loss for 2006 was dominated by the write off of £4 0 million of exploration costs in connection with the Ulcinj block in Montenegro The total profit of £1 7 million in 2005 resulted from the profit of £2 1 million generated by the Oil Services division which was sold at the end of that year, the reversal of £4 9 million in the impairment in the carrying value of the Seven Heads gas field and the effects of operating costs and net interest payable

The Directors do not recommend the payment of a dividend (2005 nil)

Net cash outflow from operating activities for 2006 was £2 8 million (2005 net cash inflow of £3 5 million) At the reporting date, the Group had net funds of £2 0 million (2005 net debt of £3 4 million) These movements are a result of the loss of income streams from continuing operations and the repayment of all outstanding recourse bank debt

The Group's former head office building was sold in June 2006 for £1 5 million in cash, resulting in a modest book gain of £84,000 The move to new offices, occupied under an operating lease, was completed shortly thereafter

The Company's cash resources were increased earlier this week by the sale of a 25 1 per cent stake in the Group's subsidiary Lansdowne which raised £2 61 million

Ireland

Since April 2006, our Irish interests have been held via a majority holding in our AIM listed subsidiary Lansdowne

Lansdowne's interests comprise 100 per cent of the Midleton and East Kinsale Licensing Options, 77 per cent of the Rosscarbery Licensing Option and 74 per cent of the Seven Heads Oil Licensing Option and a 19 25 per cent interest in the Donegal Frontier Exploration Licence

During 2006 Lansdowne successfully completed the work programmes associated with all of its Celtic Sea Licensing Options This work included reprocessing existing 2D seismic data, acquiring and integrating further 2D seismic data, conducting geophysical processing studies, reservoir development studies, reservoir engineering studies and conceptual development studies Comprehensive reports detailing the findings were presented to the Department of Communication, Marine and Natural Resources of the Irish Government

Following completion of the additional technical work in 2006, Lansdowne engaged RPS Scott Pickford to review all of its Celtic Sea projects in the light of the substantial increase in costs related to exploration and development of its oil and gas projects The conclusion was that all the Celtic Sea projects outlined in Lansdowne's AIM Admission document remained robust even at a price of $35 per barrel for oil and 30p per therm for gas and assuming current fiscal terms

In December 2006, Lansdowne filed applications for Standard Exploration Licences over parts of the areas held under the Midleton, Rosscarbery and East Kinsale Licensing Options In addition, an application has been filed to convert the Seven Heads Oil Licensing Option to a Lease Undertaking, to allow Lansdowne and its partners to continue to evaluate development options

The Irish Government's response to Lansdowne's applications has been delayed by a combination of a review of licensing and fiscal terms applicable to the exploration and production of hydrocarbons and the recent general election Accordingly the applications submitted by Lansdowne are all conditional on the new fiscal terms being acceptable to the applicants Lansdowne's future business is dependent on these applications and we believe that a response to the applications will be received shortly

Lansdowne also participated in the Inishbeg exploration well which was drilled in August 2006 This frontier exploration well, operated by Lundin Exploration B V, was located offshore Ireland in Block 13/12 off the northwest coast of County Donegal It was designed to target a large but shallow Triassic gas prospect Under the terms of a farm out agreement, Lansdowne was carried through all the costs associated with the drilling and testing of the well The well was plugged and abandoned in August 2006

Although Lansdowne considered that while the results of the 13/12 well did not give sufficient confidence in the prospectivity to allow a commitment to be given to drilling a second well, they did indicate the possibility of a viable hydrocarbon play on the acreage Accordingly Lansdowne has requested an extension to phase one of the licence, to allow further technical work to be undertaken and a response to that request, from the Irish authorities, is also awaited

Montenegro
In our interim statement last September, we announced that the attempts of our partner JugoPetrol Kotor ("JPK") to re negotiate concession terms with the Government of Montenegro had reached an impasse The Government had also intimated its unilateral decision to terminate the concession over the Ulcinj (Block 3) Together with JPK and Hellenic, we are continuing to dispute the validity of this unilateral decision, but at this time no concrete progress has been made and there is no prospect of a short term resolution Consequently we have decided to make full provision against our Ulcinj investment This results in a write down of £4 0 million in 2006

Since last September, Hellenic and Ramco have agreed to reverse the restructuring arrangement entered into in 2005 which converted Ramco's participation into a 15 per cent back in option and for Ramco to revert to a 40 per cent working interest participant in both the Ulcinj and Prevlaka (Blocks 1 & 2) concessions

Meanwhile the future of the concession with respect to the Prevlaka blocks has been threatened by the Montenegrin Government which delayed the work programme beyond the expiry date (31 March 2007) of the exploration period JPK has made a formal application for an extension to the exploration period and action has been taken by JPK in the Montenegrin Court to have certain administrative decisions of the Government declared invalid Therefore, we are continuing to carry past costs of £803,000 relating to Prevlaka on the Group balance sheet until the situation is fully resolved

Bulgaria
We announced last September that we had sold our interest in the A Lovech block onshore Bulgaria to our partner for $1 45m in cash plus a 0 1 per cent royalty interest over all future production from that acreage We understand that the first well Deventsi 1, is due to spud before the end of June

Litigation
We were delighted to announce in June 2006 that we had been successful in winning our appeal in the long running Tenge lawsuit and we believed, at that time, that we had finally put this damaging process behind us Unfortunately it was not to be The intricacies of the Texas legal system allowed the plaintiffs to drag the case on through not only a re hearing at the Court of Appeals but also two later attempts to persuade the Texas Supreme Court to hear the case While the plaintiffs were unsuccessful in each of these efforts, it nevertheless caused the process to continue to plague us until April 2007 when the case was finally closed by the Texas Supreme Court During this time, we were very active in identifying and progressing new opportunities as part of our commitment to re build shareholder value Regardless of the remote prospect of a success by the plaintiffs it created sufficient uncertainty to prevent the deals from being closed

Outlook
With the Tenge lawsuit now behind us, we believe we can entertain new opportunities without the cloud that has been hanging over the Company for seven years Tenge served to drain our cash resources but I am pleased to say that the funds raised earlier this week should enable the Company to accelerate its recovery

Ramco is a founding shareholder (49 per cent) in Mesopotamia Petroleum Company Limited ("MPC") together with privately owned UK based Midmar Energy Limited and a UK private investor MPC was formed in order to try and secure a position to bid on both service contracts and exploration and production contracts in Iraq as the country seeks to re establish itself

The political situation there remains highly volatile and uncertain and this will not be a short term process However, for its part, Ramco has extensive experience in geographical areas where there has been political uncertainty ahead of stability such as the Caspian and Balkans This is not a new subject for us and this uncertainty can provide windows of opportunity for the smaller player

Oil and Gas Interests

As at 31 December 2006

The Group is interested in the following Licences, Licensing Options and Royalty

Country	Licence/Royalty	Interest	Operator	Note
Ireland	Donegal Frontier Exploration Licence	19 25 per cent	Lundin	(1)
Ireland	Rosscarbery Licensing Option	77 per cent	Lansdowne	(2)
Ireland	Midleton Licensing Option	100 per cent	Lansdowne	(2)
Ireland	East Kinsale Licensing Option	100 per cent	Lansdowne	(2)
Ireland	Seven Heads Oil Licensing Option	74 per cent	Lansdowne	(3)
Montenegro	Prevlaka (onshore/offshore)	40 per cent	Ramco	(4)
Montenegro	Ulcinj (onshore/offshore)	40 per cent	Ramco	(5)
Bulgaria	A Lovech Royalty	0 1 per cent	Direct	

All licences are offshore unless otherwise stated The Irish interests are held via the Group's 86 25 per cent ownership of Lansdowne Oil & Gas plc ("Lansdowne")

Notes

(1) Donegal Frontier Exploration Licence

In December 2006, an application was submitted, by some of the partners in the Licence, to the Irish Petroleum Affairs Division ("PAD") to extend the first phase of the Licence by eighteen months to allow additional technical work to be carried out The application is under consideration by the PAD If it is granted the Group's interest will increase to 80 per cent (paying) and it will become Operator

(2) Rosscarbery, Midleton and East Kinsale Licensing Options

Applications were submitted in December 2006 to the PAD for Standard Exploration Licences over parts of the area held under the Licensing Options The applications are under consideration by the PAD

(3) Seven Heads Oil

Application was submitted in December 2006 to the PAD to convert the Licensing Option to a Lease Undertaking to allow development options to be evaluated The application is under consideration by the PAD

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 per cent

(4) Prevlaka

The current licence expired on 31 March 2007 Ramco and its partners have applied for an extension

(5) Ulcinj

The Government of Montenegro has terminated the concession over the Ulcinj block and past exploration costs have been written off (see note 10) The Group and its partners are disputing the validity of this unilateral decision

Financial Review

Description of Business

Ramco Energy plc, a Scottish public limited company, and its subsidiaries form an energy group The Group is currently exploring for, and appraising, oil and gas reserves in Ireland and eastern Europe The Chairman's Statement and Report of the Director's outline the strategy for future exploration and production activities

The Company's shares and, since 21 April 2006, those of its Lansdowne subsidiary, 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 2006 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 56

Turnover

Consolidated Group turnover for 2006 was £1 0 million, down from £13 7 million in 2005 This reflects the disposal of the Group's Oil Services division in December 2005 and the sale of its only producing asset, its interest in the Seven Heads gas field, in February 2006

Cost of Sales

Group cost of sales after exceptional items fell by 14% from £6 9 million in 2005 to £5 9 million in 2006 Given the absence of turnover from continuing operations, the 2006 figure would have been much lower but for a write off of £4 0 million of intangible assets (see notes 5 and 10)

Administrative Expenses

Total administrative expenses fell by 27% from £1 5 million in 2005 to £1 1 million in 2006 This reduction was predominantly due to higher professional fees in 2005 in relation to abortive merger talks, which ended in April 2005, and a gain on sale of the Queen's Road office in 2006 of £84,000

Loss Before Interest and Taxation

The Group recorded a loss before interest and taxation of £5 7 million in 2006 compared with a profit of £5 1 million in 2005 This includes other income from the rental of a building of £208,000 (2005 £103,000) The movement in the year is largely explained by the £4 0 million write off to intangibles assets in 2006, the sale of the profitable Oil Services division in December 2005 (2005 profit before interest and tax of £2 1 million) and the exceptional item in 2005, relating to the reversal of the impairment in the carrying value of the Seven Heads gas field (see note 5)

Net Interest

Net interest receivable of £9,000 was recorded in 2006 compared with net interest payable of £3 3 million in 2005 After the settlement of all outstanding recourse bank debt in February 2006, subsequent positive cash balances generated interest receivable of £113,000 This was largely offset by the bank interest for the period to January 2006 and accrued interest payable against the outstanding debt to Schlumberger (see note 23)

Taxation

A tax charge of £74,000 was recorded in 2006 compared to a tax charge of £84,000 in 2005 (see note 8)

Loss for the Financial Year

A loss for the financial year, attributable to ordinary shareholders, of £5 7 million was recorded in 2006 compared with a profit of £1 7 million in 2005 for the reasons outlined above

Balance Sheet
The Group and Company balance sheets as at 31 December 2006 are shown on page 23 Group net assets have decreased from £7 3 million at 31 December 2005 to £2 3 million at 31 December 2006 This movement arose as a result of the loss for the year, which was dominated by the write off to intangible assets, offset by the issue of new shares during the year

Intangible assets have fallen from £6 3 million in 2005 to £1 8 million in 2006, chiefly as a result of the provision against the potential loss of the Ulcinj licence in Montenegro and the sale of the A Lovech licence in Bulgaria (see note 10) Tangible fixed assets have reduced from £11 6 million in 2005 to £0 2 million in 2006 due to the sale the Seven Heads gas field and the sale of the Queen's Road office building

At 31 December 2006, the Group had cash balances and net funds of £2 0 million, compared to cash balances of £4 8 million and net debt of £3 4 million at 31 December 2005 The movement in net funds during the period was due to repayment of £8 2 million bank debt and net cash outflows of £2 8 million

£1 1 million out of the total current liabilities of £1 5 million is the outstanding trade creditor balance on the Seven Heads project related debt due to Schlumberger Under a deferral agreement signed with Schlumberger in June 2005, they irrevocably waived the right to retire the debt via a cash settlement Instead they have the option to request Ramco Energy plc to issue new shares to them Hence, there is no obligation for the Company to settle the debt through an outflow of resources within the next 12 months from the reporting date (see note 23)

Cash Flow from Operations
As indicated by the consolidated cash flow statement on page 24, the Group's net cash flow from operating activities was an outflow of £2 8 million for 2006 and an inflow of £3 5 million for 2005 The movement during the year represents the loss of income streams from operating activities due to the sale of the Oil Services division and the Group's only producing oil and gas interest

Cash Flows Related to Taxation and Investing and Financing Activities
During 2006, the Group received £276,000 of UK corporation tax in consideration for consortium relief losses, for the 2005 tax year, surrendered to the divested Oil Services division

In 2006 and 2005 the Group invested approximately £128,000 and £216,000 respectively in tangible fixed assets Fixed asset purchases in 2006 related primarily to leasehold improvements on the Company's new registered office at Britannia House Total proceeds from the sale of the Queen's Road office and other associated fixed assets were £1 6 million

Capital expenditure on oil and gas exploration was approximately £402,000 during 2006 compared to £372 000 during 2005 Virtually all the expenditure in the period was on the Lansdowne assets held in Ireland The sale of the Bulgarian A Lovech licence in September 2006, raised £763,000 (see note 10)

Future Capital Requirements
The Group's current prospects are all in the exploration or appraisal stages and do not contain any proven reserves The Group's focus during the last 3 years has been on farming out our exploration assets, whilst retaining an upside participation and passing much of the exploration costs to third parties The current forward strategy is to fund future work commitments through a combination of reducing the Group's equity interest through new participants farming in, by the issue of new capital, and through new project finance As described under the "Principal risks and uncertainties" section of the Report of the Directors on page 10, the funding of future capital requirements is a significant challenge for the Group

The Group's exploration assets in Ireland have, since the start of 2006, been held in the Lansdowne subsidiary Lansdowne completed two fund raisings during 2006, raising a total of £2 3 million before expenses to ensure that it had access to the funds necessary to complete its 2006 work programme obligations The 2006 Celtic Sea work programmes were all successfully completed The additional work which may be carried out on the extension to the Donegal Frontier Exploration Licence during 2007 would incur modest costs, which would be financed out of existing working capital

Market Risks

The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates In the normal course of business the Group also faces certain other non financial or non quantifiable risks These are discussed in note 23 To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by Dollar or Euro based oil and gas operations Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the shares traded on the AIM

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

Dollar/Sterling Exchange Rates

(Dollar per Pound Sterling)

	At end of period	Average rate[(1)]	High	Low
2002	1 61	1 51	1 61	1 41
2003	1 79	1 64	1 79	1 57
2004	1 92	1 83	1 92	1 77
2005	1 71	1 81	1 92	1 71
2006	**1 97**	**1 83**	**1 97**	**1 71**

Euro/Sterling Exchange Rates

(Euro per Pound Sterling)

	At end of period	Average rate[(1)]	High	Low
2002	1 53	1 59	1 63	1 53
2003	1 42	1 44	1 51	1 39
2004	1 41	1 47	1 51	1 41
2005	1 45	1 46	1 48	1 45
2006	**1 49**	**1 46**	**1 49**	**1 43**

[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

Christopher G Moar

Finance Director and Company Secretary

26 June 2007

Board of Directors

Stephen Remp BA MA Hon D Tech
Executive Chairman **Aged 60**
Appointed August 1977 A native American, Steve came to Scotland in 1971 and in 1977 founded Ramco Steve was educated in Europe and the US, obtaining a BA in Economics from Claremont College in California and an MA in International Economics from the School of Advanced International Studies, Johns Hopkins University, Washington DC

Steven Bertram MA (Hons) CA Dip BA
Managing Director **Aged 47**
Appointed as Finance Director in 1991 and became Managing Director in June 2005 Steven joined Ramco in 1986 and, during his time as Finance Director, guided Ramco's financial affairs from its original USM listing through its international offer and listing on the American Stock Exchange in 1997 and its move to AIM Steven has an MA Honours degree in Economics with Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1984

Christopher Moar MA CA
Finance Director and Company Secretary **Aged 44**
Appointed as Finance Director in November 2006 Chris joined Ramco in 1993 and was appointed Company Secretary in December 1996 Prior to this he was a planning and financial accountant for Baker Oil Tools (United Kingdom) Limited Chris has an MA degree in Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1987

N Stewart Cumming
Non Executive Director **Aged 58**
Appointed January 1988 Stewart joined the Ramco management team as a founder member when the Company was formed in 1977 As Managing Director of the Oil Services division, and Executive Director of Ramco, he was responsible for the management and highly successful development of the Company's Oil Services operations Stewart led the successful Management Buy out of the Oil Services division in December 2005, and since then he has been a Non Executive Director Stewart was educated at Selborne College and the Witwatersrand Technical College in South Africa

Report of the Directors

The Directors submit their report and audited Group financial statements for the year ended 31 December 2006

Principal Activities and Review of Business

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

The results for the Group show a pre tax loss of £5 7 million (2005 profit of £1 8 million) for the year and turnover of £1 0 million (2005 £13 7 million) As at 31 December 2006, the Group had net funds (2005 net debt of £3 4 million) Net cash outflow from operating activities for 2006 was £2 8 million (2005 net cash inflow of £3 5 million)

The Directors do not recommend the payment of a dividend (2005 nil per share) and the loss after tax of £5 8 million (2005 profit of £1 7 million) will be deducted from the Group's reserves

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

Business Environment

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

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

Strategy

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

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

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

Future Outlook

The Group's future outlook is described in the Chairman's Statement on page 3

Post Balance Sheet Event

On 26 June 2007 Ramco sold 5,225,000 ordinary shares (25 1 per cent) in Lansdowne at 50p per share to LC Capital Master Fund, generating a cash consideration of £2,612,000 (see note 28) This cash injection will provide sufficient time for the Group to pursue the above strategy and generate value for shareholders

Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks The key business risks affecting the Group are set out below Risks are reviewed by the Board and appropriate processes put in place to monitor and mitigate them If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group

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

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

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

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

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

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

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

Directors
Biographies of the present Directors of the Company are listed on page 8 In addition D Paterson served as a Non Executive Director from 28 April 2005 until 9 June 2006 and M Hay served as a Non Executive Director from 22 June 2005 until 14 March 2007

In accordance with the Company's Articles of Association, no Directors are required to retire by rotation C G Moar, who was appointed to the Board on 1 November 2006, automatically retires, and being eligible offers himself for re election C G Moar has a service contract with an unexpired notice period of one year

Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report, included on pages 16 to 19

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

Name of member	No of shares	Per cent of capital
Directors (see page 19)	4,737,884	13 53
Artemis	3,225,000	9 21
Rufer LLP	2,058,262	5 88
LC Capital Master Fund	1,702,380	4 86

Share Capital

Details of allotments made during the year and up until the date of this report are given in note 17

Creditor Payment Policy

The Group's policy is to ensure settlement of supplier's services in accordance with the terms of the applicable contracts, as detailed in note 1 to the financial statements The Company's average creditor payment period at 31 December 2006 was 64 days (2005 59 days)

Financial Instruments

The financial risk management objectives and policies of the Group are detailed in note 23

Charitable and Political Donations

Contributions made by the Group during the year for charitable purposes were £ nil (2005 – £ nil) No political donations were made and no political expenditure was incurred during the year

Auditors

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

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

AGM Special Business

The Annual General Meeting ("AGM") will commence at 12 30 p m on 26 July 2007 at the Holiday Inn, Westhill Drive, Westhill, Aberdeenshire In addition to the routine business of the AGM, there are four items of Special Business detailed in the Notice of Meeting as Resolution numbers 4 to 7

Resolution 4 increases the authorised share capital from 40 million to 70 million ordinary shares of 10p each

Resolution 5 authorises the Directors to allot unissued shares in the capital of the Company

Resolution 6 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 £501,000 (being 10% of the current issued share capital plus £150,000 linked to the issue of warrants granted to LC Capital Master Fund) thereby enabling the Directors to take advantage of opportunities as they arise This authority will also expire at the next Annual General Meeting of the Company

Resolution 7 is a special resolution giving the Company limited powers to purchase its own shares for cancellation

By order of the Board,

C G MOAR MA CA

Finance Director and Company Secretary

26 June 2007

Corporate Governance

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

Directors
The Board currently comprises three Executive Directors and one Non Executive Director Biographies of the current Directors are presented on page 8 Up until his resignation on 14 March 2007, Malcolm Hay was the senior Non Executive Director Prior to this date there were two Non Executive Directors and prior to the resignation of D Paterson on 9 June 2006 there were three Non Executive Directors Given his long history as an employee and previous role as an Executive Director of the Company, N S Cumming is not considered to be an independent Non Executive Director The Board is responsible for setting overall Group strategy, policy, monitoring Group performance and authorising significant transactions

The Board meets not less than four times a year and has adopted a schedule of matters reserved for its decision All Directors have full and timely access to information and may take independent professional advice at the Group's expense

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

Audit and Remuneration Committees
These committees are comprised solely of Non Executive Directors who take no part in the discussion of their own remuneration Both were chaired by M Hay until he resigned on 14 March 2007 and the other member is N S Cumming Between March and June 2007 the activities of these committees were temporarily suspended However, it is planned that two new Non Executive Directors will be appointed to the Group's Board soon after the date of this report (see note 28) These appointments will mean that 50% of the Board is made up of Non Executive Directors and will allow the Audit and Remuneration Committees to resume their activities

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

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

The Audit Committee reviews the independence and objectivity of the External Auditors The Committee reviews the nature and amount of non audit work undertaken by PricewaterhouseCoopers LLP each year to satisfy itself that there is no effect on their independence Details of this year's fees are given in note 3 on page 31 The Committee is satisfied that PricewaterhouseCoopers LLP are independent

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

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

Remuneration Committee

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

The Remuneration Report is presented on pages 16 to 19 and contains a statement of remuneration policy and details of the remuneration of each Director

Nominations Committee

The Nominations Committee is currently chaired by N S Cumming and meets as required The other member is Steve Remp One of the new Non Executive Directors will be appointed to the vacant position on this committee soon after the date of this report (see note 28)

The Committee proposes to the Board suitable candidates for appointment as Directors of the Company, and considers Board succession plans Directors appointed by the Board in the course of the year must retire and offer themselves for reappointment at the next AGM Names of Directors submitting themselves for reappointment at the next AGM are shown on page 58

Risk Management and Internal Control

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

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

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

Investor Relations

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

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

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

Directors' Responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently The Directors also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

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

Going Concern

The financial statements have been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future

The Director's consider that it is appropriate to adopt a going concern assumption in preparing these financial statements for the reasons outlined in note 1 to the financial statements

Remuneration Report

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

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

Unaudited Information

Remuneration Committee
During 2006 the members of the Remuneration Committee (The Committee) were Malcolm Hay (Chairman), N Stewart Cumming, and until 9 June 2006 Dennis Paterson, all serving as Non Executive Directors of the Company Malcolm Hay resigned on 14 March 2007 The Company is now seeking a senior independent Non Executive Director as a replacement, who will take over as Chairman of The Committee Upon this appointment The Committee's activities will resume

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

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

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

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

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

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

Remuneration Package

Directors' remuneration packages, which are reviewed annually, consist of annual salary, performance related bonuses, health and other benefits, pension contributions and share options During 2006 S E Remp and S R Bertram voluntarily waived contracted salary entitlements of £50,000 (2005 £198,000) and £20,000 (2005 £27,000) respectively Their pension contributions were reduced pro rata

Performance related profit bonuses are calculated as a percentage of the after tax profit of the division or divisions for which each Executive Director performs duties They are payable following certification of the Group results by the Auditors for each year 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
S E Remp	5 0%	5 0%
S R Bertram	2 5%	2 5%
C G Moar	0 75%	0 75%

S E Remp and S R Bertram earned a profit bonus on the 2005 Group profit for the year and a disposal bonus on the sale of Ramco Oil Services Limited, under their contracts Both directors have agreed to defer payment of these bonuses

Audited Information

Directors' detailed emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate emoluments £'000	2006 Pension contributions £'000	2005 Pension contributions £'000	2006 Total £'000	2005 Total £'000
Executive Directors								
S E Remp	401	—	6	407	87	61	494	712
S R Bertram	180	—	1	181	26	26	207	347
C G Moar [1]	23	—	—	23	4	—	27	—
N S Cumming [2]	—	—	—	—	—	25	—	499
D F Stover	—	—	—	—	—	17	—	131
Non Executive Directors								
N S Cumming [2,3]	26	—	—	26	—	—	26	—
M Hay	25	—	—	25	—	—	25	13
D Paterson	11	—	—	11	—	—	11	17
P Everett	—	—	—	—	—	—	—	8
Sir M Rifkind	—	—	—	—	—	—	—	8
V Lall	—	—	—	—	—	—	—	8
2006	**666**	—	**7**	**673**	**117**		**790**	
2005	795	791	28	1,614		129		1,743

[1] Appointed 1 November 2006

[2] Following the disposal of the Oil Services division on 16 December 2005, N S Cumming became a Non Executive Director The table includes £26,000 paid to Ramco Tubular Services Limited, a third party formerly part of the Group, in respect of fees for the services provided by N S Cumming to the Company

[3] Resigned 14 March 2007

Interests in share options

	Exercise Price	At 31 Dec 2005	Granted	Cancelled/ Lapsed	At 31 Dec 2006	Normal Exercise Dates
S E Remp	675p	132,500	—	—	**132,500**	30/4/01 – 29/4/08
	34p	300,000	—	—	**300,000**	30/7/08 – 29/7/15
S R Bertram	675p	38,000	—	—	**38,000**	05/5/01 – 04/5/08
	347 5p	26,660	—	(26,660)	—	11/5/04 – 10/5/11
	347 5p	35,340	—	—	**35,340**	11/5/06 – 10/5/11
	34p	150,000	—	—	**150,000**	30/7/08 – 29/7/15
N S Cumming	755p	33,000	—	(33,000)	—	7/11/99 – 6/11/06
	675p	13,500	—	—	**13,500**	05/5/01 – 04/5/08
	347 5p	23,005	—	(23,005)	—	11/5/04 – 10/5/11
	347 5p	30,495	—	—	**30,495**	11/5/06 – 10/5/11
	34p	70,000	—	—	**70,000**	30/7/08 – 29/7/15
C G Moar	755p	6,200[2]	—	(6,200)	—	7/11/99 6/11/06
	675p	5,000[2]	—	—	**5,000**	30/4/01 29/4/08
	347 5	21,500[2]	—	(21,500)	—	11/5/04 – 10/5/11
	347 5	28,500[1]	—	—	**28,500**	11/5/06 – 10/5/11
	34p	60,000[2]	—	—	**60,000**	30/7/08 29/7/15
M Hay	34p	70,000	—	—	**70,000**	30/7/08 – 29/7/15
D Paterson	34p	70,000	—	—	**70,000[2]**	30/7/08 29/7/15
		1,113,700	—	(110,365)	**1,003,335**	

[1] At date of appointment
[2] At date of resignation

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 18 to the accounts During 2006 the share price ranged between a high of 35p and a low of 13p The quarterly highest and lowest closing share prices are detailed in note 17

Interests in shares

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

	At 31 Dec 2005	At 31 Dec 2006	At 26 June 2007
S E Remp	3,335,346	**4,256,068**	4,256,068
S R Bertram	140,000	**140,000**	140,000
C G Moar	14,816[1]	**14,816**	14,816
N S Cumming	327,000	**327,000**	327,000
M Hay (resigned 14 March, 2007)	26,627	**26,627**	—
D Paterson (appointed 28 April 2005, resigned 9 June 2006)	—	—	—
	3,843,789	**4,764,511**	4,738,884

[1] At date of appointment

Pensions

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

Retirement benefits were accruing to the three Executive Directors (2005 Two 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

N Stewart Cumming
Chairman, Remuneration Committee
26 June 2007

Independent Auditors' Report to the Members of Ramco Energy plc

We have audited the group and parent company financial statements (the "financial statements") of Ramco Energy plc for the year ended 31 December 2006 which comprise of the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements

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

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

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting

policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

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

Matter of Emphasis Going Concern

In forming our opinion, we have considered the adequacy of the disclosures set out in note 1 to the financial statements concerning the Group's ability to continue in operational existence for the foreseeable future

The financial statements have been prepared on a going concern basis, the validity of which depends on the successful resolution of uncertainties described in note 1 Should these uncertainties not be successfully resolved the going concern basis of preparation may no longer be applicable and adjustments to the Group profit and loss account and Group balance sheet would be required to record additional liabilities and write down assets to their recoverable amounts

Our opinion is not qualified in this respect

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss and cash flows for the year then ended,

- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
26th June 2007

Consolidated Profit and Loss Account

For the year ended 31 December 2006

	Notes	2006 Continuing operations £'000	2006 Discontinued operations £'000	2006 Total £'000	2005 Continuing operations £'000	2005 Discontinued operations £'000	2005 Total restated £'000
Turnover – Group and share of joint venture and associates	2	—	**986**	**986**	—	17,212	17,212
Less share of joint venture and associates		—	—	—	—	(3,548)	(3,548)
Group turnover	2	—	**986**	**986**	—	13,664	13,664
Cost of sales before exceptional items		**(1,579)**	**(364)**	**(1,943)**	(475)	(22,060)	(22,535)
Exceptional items	5	**(3,950)**	—	**(3,950)**	—	15,681	15,681
Cost of sales after exceptional items		**(5,529)**	**(364)**	**(5,893)**	(475)	(6,379)	(6,854)
Gross (loss)/profit		**(5,529)**	**622**	**(4,907)**	(475)	7,285	6 810
Administrative expenses		**(1,130)**	—	**(1,130)**	(1,098)	(445)	(1 543)
Loss on exchange		**(67)**	**(6)**	**(73)**	(2)	—	(2)
Group operating (loss)/profit	3	**(6,726)**	**616**	**(6,110)**	(1,575)	6,840	5,265
Exceptional items	6	**1,345**	**(923)**	**422**	—	(809)	(809)
Share of operating profit in joint venture and associates	2	—	—	—	—	656	656
(Loss)/profit before interest and taxation		**(5,381)**	**(307)**	**(5,688)**	(1,575)	6,687	5,112
Net Interest receivable/(payable)	7			**9**			(3,290)
(Loss)/profit on ordinary activities before taxation	2			**(5,679)**			1,822
Tax charge on (loss)/profit on ordinary activities	8			**(74)**			(84)
(Loss)/profit for the financial year				**(5,753)**			1,738
Attributable to							
Equity holders of the Company	19			**(5,702)**			1,738
Minority interest	21			**(51)**			—
(Loss)/profit for the financial year				**(5,753)**			1,738
(Loss)/profit per ordinary share – basic and fully diluted							
On (loss)/profit for the financial year	9	**(15 2)p**	**(1 4)p**	**(16 6)p**	(5 0)p	10 5p	5 5p

The corresponding amounts for the prior period have been restated due to the adoption of Financial Reporting Standard 20 "Share based Payments" (see note 1)

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

There are no recognised gains or losses other than the Group loss for the year and, therefore, no Statement of Total Recognised Gains and Losses has been presented

The notes on pages 25 to 55 form part of these financial statements

Balance Sheets

As at 31 December 2006

		Group		Company	
	Notes	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Fixed assets					
Intangible fixed assets	10	**1,849**	6,278	**—**	—
Tangible fixed assets	11	**202**	11,567	**181**	1,514
		2,051	17,845	**181**	1,514
Current assets					
Debtors amounts falling due within one year	12	**328**	1,648	**231**	264
Cash at bank and in hand		**2,027**	4,799	**1,053**	1,311
		2,355	6,447	**1,284**	1,575
Creditors amounts falling due within one year	13	**(1,467)**	(11,618)	**(1,921)**	(1,299)
Net current assets/(liabilities)		**888**	(5,171)	**(637)**	276
Total assets less current liabilities		**2,939**	12,674	**(456)**	1,790
Creditors amounts falling due after one year	14	**(608)**	—	**(608)**	—
Provisions for liabilities and charges	15	**(25)**	(5,385)	**(25)**	(26)
Net assets/(liabilities)		**2,306**	7,289	**(1,089)**	1,764
Capital and reserves					
Called up share capital	17	**3,502**	3,314	**3,502**	3,314
Share premium account	19	**69,405**	69,294	**69,405**	69,294
Profit and loss account	19	**(70,945)**	(65,319)	**(73,996)**	(70,844)
Equity shareholders' funds/(deficit)	20	**1,962**	7,289	**(1,089)**	1,764
Minority interest	21	**344**	—	**—**	—
Total equity/(deficit)		**2,306**	7,289	**(1,089)**	1,764

These financial statements were approved by the Board of Directors on 26 June 2007

The notes on pages 25 to 55 form part of these financial statements

S E Remp
Executive Chairman

C G Moar
Finance Director

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 £ 000	2005 £ 000
Net cash (outflow)/inflow from operating activities	25(a)	**(2,802)**	3,542
Returns on investments and servicing of finance			
Interest received		**70**	147
Interest paid		**(33)**	(785)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**37**	(638)
Taxation			
United Kingdom corporation tax received		**276**	—
Overseas corporation tax paid		**—**	(27)
Taxation received/(paid)		**276**	(27)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(128)**	(216)
Sale of tangible fixed assets		**1,567**	9
Oil and gas expenditure – intangible assets		**(402)**	(372)
Receipt of sale of exploration licence		**763**	—
Receipt of sale of other fixed asset investments		**—**	144
Net cash inflow/(outflow) for capital expenditure and financial investment		**1,800**	(435)
Disposal			
Net proceeds from sale of subsidiary		**—**	11,801
Cash on disposal		**(1,251)**	—
Net cash (outflow)/inflow from disposal	25(d)	**(1,251)**	11,801
Net cash (outflow)/inflow before financing		**(1,940)**	14,243
Financing			
Issue of share capital in Company	17	**298**	1,018
Issue of share capital in Lansdowne to minority interests		**1,739**	—
Decrease in debt	25(b)	**(2,869)**	(13,727)
Net cash outflow from financing		**(832)**	(12,709)
(Decrease)/increase in cash	25(b)	**(2,772)**	1,534

The notes on pages 25 to 55 form part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2006

1 Presentation of Accounts and Accounting Policies

Description of business

Ramco Energy plc is an international energy company which explores for and develops oil and gas reserves, primarily in Ireland and central and eastern Europe

Composition of accounts

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

Accounting policies

Basis of presentation

The financial statements have been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future

As discussed in the Chairman's statement and note 28, the Group raised £2 6 million in cash from the sale of 25 1 per cent of the share capital of Lansdowne The Directors have prepared cash flow forecasts for the Group for the period ending 12 months from the date of approval of these financial statements These indicate that the Group will have adequate cash resources to meet its obligations, as they fall due and provide seed funding for new projects However, there remains uncertainty as to whether the Group can be considered a going concern in that the Group currently has no revenue streams and only limited amounts of available funding to invest in revenue generating activities

The projects in Lansdowne are the most developed in the Group and the investment in the company represents the most readily realisable asset However, currently Lansdowne is awaiting the Irish Government to approve their applications for exploration licences and is reliant on securing funding for work programme obligations through farm out arrangements or the issue of new shares or a combination of both Therefore, this represents a further uncertainty in the Group Further details of potential future transactions involving Lansdowne shares are discussed in note 28

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

- they consider that the new funding raised provides sufficient time in which the Group will be able to secure future revenue, and

- they believe that the Lansdowne licences will be granted imminently and a farm in partner will be found to fund future exploration activities

If for any reason the uncertainties described above cannot be successfully resolved, the going concern basis may no longer be applicable and adjustments to the Group profit and loss account and Group balance sheet would be required to record additional liabilities and write down assets to their recoverable amounts

Basis of accounting

These financial statements are prepared under the historical cost convention In accordance with AIM rules the Group will be adopting International Financial Reporting Standards ("IFRS's") as from 1 January 2007 The Group has assessed that there will not be a material impact to the financial statements on transition to IFRS

1 Presentation of Accounts and Accounting Policies *continued*

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

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

In 2005 the Group owned a long term investment of 50% jointly with another party This investment was defined as a joint venture and accounted for using the gross equity method The corresponding amounts in 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 are separately disclosed

Change in accounting policies
During the year the Group has adopted Financial Reporting Standard ("FRS") 20 "Share based Payments" and FRS 22 "Earnings per Share" in its financial statements The recognition and measurement requirements of FRS 20 have been applied to all share options granted after 7 November 2002 that had not vested by 1 January 2006, as stipulated by this standard This resulted in an additional charge to staff costs of £76,000 in the current year and £68,000 in the prior year (see note 18) The adoption of FRS 22 has resulted in the loss per share for both discontinued and continuing operations being shown on the face of the profit and loss account (see page 22) The corresponding amounts for 2005 have been restated to reflect the adoption of these new accounting standards

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

Fixed assets – Oil and gas interests
Expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting, as described in the Oil and Gas Statement of Recommended Practice ("SORP")

All costs incurred prior to the acquisition of licences are written off to the profit and loss account when incurred

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance If commercial reserves are determined to exist, then these costs are first subjected to an impairment test (see below) and the resulting carrying value is transferred to the development and producing assets category as tangible assets If no commercial reserves exist then the exploration in that particular field was "unsuccessful" and 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 Upon commencement of production, capitalised costs are amortised on a unit of production basis that is calculated to write off the expected cost of each asset over its life in line with the depletion of proved and probable reserves

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

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

Fixed assets – Other activities
The cost of tangible fixed assets is purchase cost together with any incidental expenses of acquisition Subsequent additions are included at cost Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows

Freehold buildings	2%
Leasehold improvements	10%
Plant, fixtures and equipment	20% to 25%

The carrying amounts of assets subject to amortisation are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable The carrying amounts of intangible assets that are not amortised are subject to annual impairment tests and any impairment losses on such assets are never reversed The method of impairment review is similar to that for oil and gas assets Impairment losses are charged to the profit and loss account unless they arise on previously revalued assets, in which case they are recognised in the statement of total recognised gains and losses to the amount of the revaluation and thereafter in profit and loss account

As fixed assets are retired, the cost or revalued amount, whichever is applicable, and accumulated depreciation relating to the fixed asset are derecognised

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

If commercial reserves are proven not to exist then the royalty asset is written off to the profit and loss account in the period that the determination is made

If commercial reserves are discovered then the royalty asset is tested for impairment and then amortised on a unit of production basis over the life of the field, based on commercial proven and probable reserves The carrying value is tested for further impairment whenever events or changes in circumstances indicate In the event that the discovery values the royalty asset above its current carrying value, it can only be revalued, through a revaluation reserve, if there is an active market for such royalties

Joint ventures
The Group is engaged in oil and gas development and production through unincorporated joint ventures The Group accounts for its share of the results and net assets of these joint ventures as jointly controlled assets

Leases
(i) As lessor
Rentals receivable under operating leases are included on an accruals basis

(ii) As lessee
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases and are charged to the profit and loss account on a straight line basis over the term of the lease

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

1 Presentation of Accounts and Accounting Policies *continued*

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

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

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

Share based payments
The Group incentivises its employees and Directors with access to equity settled share option schemes, details of which are given in the Directors' Remuneration Report and in note 18

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

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

Share based payments made to parties other than employees are valued at the fair value of the services received, where this can be reliably measured, and at the fair value of the instrument used otherwise The cost is recognised over the period that the service is received with the corresponding credit taken to the share based payments reserve

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 Oil and Gas SORP

Revenue associated with the provision of tubular services and pipeline coating was recognised in 2005 upon completion of appropriate certification procedures and customer acceptance

Foreign currency
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All exchange gains and losses are taken to the profit and loss account The financial statements of overseas subsidiaries and associated undertakings are translated at the rate of exchange ruling at the balance sheet date The exchange difference arising on the retranslation of opening net assets is taken directly to other reserves

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

a) settle the terms of payment with those suppliers when agreeing the terms of each transaction,

b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and

c) pay in accordance with its contractual and other legal obligations

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

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

Significant estimations and key assumptions
The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expense during the year Although these estimates are based on managements' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates The following significant estimations and key assumptions are applicable to these financial statements

a) The size and timing of accruals are by nature uncertain The actual amounts paid to settle the liabilities may vary from the recorded accruals in these financial statements However, management have used the best estimates possible at the reporting date for the fair values of these liabilities

b) Deferred tax assets on unrelieved losses are not recognised until the Directors consider that there will be sufficient future profits for the timing differences to reverse against

c) Under the Oil and Gas SORP, expenditure incurred on exploration and appraisal activities may be carried forward on the balance sheet pending determination for a maximum of three years following completion of drilling in an offshore or frontier environment where major development costs may need to be incurred or for a maximum of two years in other areas After this time, unless further appraisal of the prospect is firmly planned or underway, the costs are written off to the profit and loss account

Notes to the Financial Statements

For the year ended 31 December 2006

2 Segmental Reporting

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

	Oil and Gas		Oil Services		Total	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000	**2006 £'000**	2005 restated £'000
Turnover by origin						
United Kingdom	—	—	—	9,629	—	9,629
Norway	—	—	—	2,174	—	2,174
Asia	—	—	—	622	—	622
Ireland	**986**	4,787	—	—	**986**	4,787
	986	4,787	—	12,425	**986**	17,212
Less joint venture and associates (UK)	—	—	—	(3,548)	—	(3,548)
Group turnover	**986**	4,787	—	8,877	**986**	13,664
Operating (loss)/profit						
Central and eastern Europe	**(4,075)**	(11)	—	—	**(4,075)**	(11)
United Kingdom	**(858)**	9,880	—	2,313	**(858)**	12,193
Ireland	**26**	(5,668)	—	—	**26**	(5,668)
Norway	—	—	—	866	—	866
Rest of Europe	—	(53)	—	—	—	(53)
Asia	—	—	—	139	—	139
	(4,907)	4,148	—	3,318	**(4,907)**	7,466
Less joint venture and associates	—	—	—	(656)	—	(656)
Gross (loss)/profit	**(4,907)**	4,148	—	2,662	**(4,907)**	6,810
Joint venture and associates	—	—	—	656	—	656
	(4,907)	4,148	—	3,318	**(4,907)**	7,466
Administrative expenses	**(1,130)**	(1,098)	—	(445)	**(1,130)**	(1,543)
Exceptional items	**422**	—	—	(809)	**422**	(809)
(Loss)/profit on exchange	**(73)**	(38)	—	36	**(73)**	(2)
(Loss)/profit before interest and taxation	**(5,688)**	3,012	—	2,100	**(5,688)**	5,112
Net interest					**9**	(3,290)
(Loss)/profit before taxation					**(5,679)**	1,822

The Ramco Oil Services sub group was sold in December 2005 and so the Group now has only one business segment, being Oil and Gas exploration and appraisal

The turnover for the Oil and Gas division relates to the Seven Heads gas field which was sold in February 2006 This has been included in discontinued operations in the profit and loss account

The Oil Services division was sold in December 2005 so the net assets at the balance sheet dates of the current and prior years relate only to the Oil and Gas division

Net assets

	Oil and Gas	
	2006 £ 000	**2005 £'000**
Azerbaijan	**20**	169
Central and eastern Europe	**843**	5,510
United Kingdom	**(1,315)**	(4,052)
Ireland	**2,760**	5 659
Rest of Europe	**(2)**	3
	2,306	7,289

The net liabilities for the UK represent the excess of current liabilities over current assets that are associated with UK administrative costs

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

Turnover by destination and by origin are the same

3 Group Operating (Loss)/Profit

	2006 £ 000	**2005 £ 000**
This is stated after charging/(crediting)		
Depreciation of tangible fixed assets	**247**	1,132
Amortisation of goodwill joint venture	—	30
Operating lease rentals – land and buildings	**65**	163
Operating lease rentals – plant, fixtures and equipment	—	343
Gain on sale of other fixed asset investments	—	(142)
Gain on disposal of tangible fixed assets	**(133)**	(9)

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

	2006 £'000	**2005 £'000**
Audit services		
– fees payable to Company auditor for the audit of parent Company and consolidated accounts	**75**	56
Non audit services		
fees payable to the Company's auditors for the audit of Company's subsidiaries pursuant to legislation	**60**	66
– compliance tax services	**64**	48
– advisory tax services	**58**	183
– other services	—	138
	257	491

4 Employees and Directors

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

	2006 Number	2005 Number
Oil Services	—	94
Oil and Gas	**4**	6
Head office and management	**6**	6
	10	106

	2006 £'000	2005 restated £'000
Staff costs during the year amounted to		
Wages and salaries	**1,489**	4,016
Social security costs	**156**	418
Other pension costs (note 22)	**183**	292
	1,828	4,726

Wages and salaries for 2005 have been restated to include the cost of share based payments

5 Exceptional Items

	2006 £'000	2005 £'000
Impairment provision – Seven Heads	—	634
Reversal of impairment provision – Seven Heads	—	(5,485)
Impairment borne by finance provider	—	(10,830)
Mezzanine finance written off	—	(8,600)
Reversal of impairment borne by finance provider	—	8,600
Write off of intangible fixed assets	**3,950**	—
	3,950	(15,681)

During the current period the Government of Montenegro terminated the concession over the Ulcinj block, offshore Montenegro The costs directly associated with the Ulcinj concession have been written off (see note 10)

During the prior period there was a net reversal of £4 9 million in the provision against the Seven Heads asset to reflect its net realisable value on disposal Impairment to this asset beyond the recourse element of the related project finance was borne by the finance provider, resulting in a credit of £10 8 million

6 Exceptional Items

	2006 £'000	2005 £'000
Gain on deemed disposal of subsidiary	**1,345**	—
Loss on sale of subsidiary	**(923)**	(809)
	422	(809)

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

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

The above gain of £1,345,000 was incorrectly credited to minority interests within equity on the unaudited 30 June 2006 Group balance sheet, as reported in the 2006 Interim Results. This does not affect the Group's net assets position at that date but equity shareholder's funds should have been disclosed as £7,451,000 rather than £6,106,000 and the loss of £1,482,000 reported for the 6 months to 30 June 2006 should have been a loss of £137,000.

(b) On 2 February 2006 the Company concluded the sale of its subsidiary Ramco Celtic Sea Limited ("RCSL"), which held its 86.5% interest in the Seven Heads gas field, for £5.3 million, net of expense, to Marathon International Petroleum Hibernia Limited. All the proceeds of the sale, after costs, flowed to the Company's project finance lenders and retired sums due to them. The carrying value of the interest in the gas field had been reduced to its net realisable value when the asset was first sold from another Group subsidiary to RCSL, early in December 2005. From this date until RCSL was sold it generated profits and, therefore, net assets of £923,000. On disposal no proceeds flowed to the Company, creating a loss of £923,000 (see note 25(d)). As this disposal resulted in a material reduction in turnover for the Group's oil and gas operations, it has been treated as a discontinued operation in the profit and loss account.

(c) On 16 December 2005 the Group sold Ramco Oil Services Limited ("ROSL") together with its subsidiaries for £12.6 million in cash, after costs. This generated a loss on sale of £809,000. The ROSL sub group provided downhole tubular maintenance and pipeline coating services and the disposal of this sub group ceased the Group's involvement in these activities. As a result of the material change in the nature and focus of the Group's operations that this disposal represented, it was treated as a discontinued operation in the 2005 profit and loss account.

7 Net Interest Receivable

	2006 £'000	2005 restated* £'000
Receivable		
Bank interest	**112**	137
Other	**1**	10
	113	147
Payable		
Bank interest	—	(3,044)
Unwinding discount on decommissioning provision	—	(326)
Other	**(104)**	(67)
	(104)	(3,437)
Net interest receivable/(payable)	**9**	(3,290)

*Other interest for 2006 includes £72,000 of interest accrued against an outstanding debt to Schlumberger (see note 23 – Interest rate risk). The corresponding amount for 2005 was £58,000, which was disclosed as bank interest in the 2005 accounts. The 2005 figures have been restated to reclassify this amount from bank interest to other interest.

8 Taxation

Analysis of charge in period	2006 £'000	2005 £'000
Current tax		
UK corporation tax at 30% (2005: 30%)	—	(290)
Share of joint venture and associates	—	191
Adjustments in respect of previous periods	**74**	(31)
	74	(130)
Foreign corporation tax	—	155
Total current tax	**74**	25
Deferred tax		
Origination and reversal of timing differences	—	85
Adjustments in respect of previous periods	—	(26)
Total deferred tax	—	59
Tax on (loss)/profit on ordinary activities	**74**	84

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	2006 £'000	2005 restated £'000
(Loss)/profit on ordinary activities before tax	**(5,679)**	1,822
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	**(1,704)**	547
Effects of		
Expenses not deductible for tax purposes	**981**	580
Capital allowances in excess of depreciation/other timing differences	**723**	350
Balancing allowances and losses available to Ramco Celtic Sea Limited	—	(30,571)
Foreign taxes	—	(184)
Adjustments to tax in respect of prior period	**74**	(31)
Provision movement	—	1,555
Held over gain coming back into charge	—	27,779
Total current tax	**74**	25

The prior year disclosures include the crystallisation of a heldover gain relating to the disposal of the ACG interest in 2000, triggered by the sale of the Seven Heads interest to Ramco Celtic Sea Limited The UK tax losses generated by the sale were used to offset the heldover charge

9 (Loss)/Earnings Per Share

Basic and fully diluted (loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss attributable to ordinary shareholders of £5 7 million (2005 profit of £1 7 million) and 34,317,614 (2005 31,714,576) ordinary shares, being the weighted average number of ordinary shares in issue during the year

	2006			2005		
	Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total restated £000
(Loss)/profit for period	(5,269)	(484)	(5,753)	(1,578)	3,316	1,738
Minority interest	51	—	51	—	—	—
Net (loss)/profit attributable to ordinary shareholders	(5,218)	(484)	(5,702)	(1,5/8)	3,316	1,738
(Loss)/profit per ordinary share – basic and fully diluted on (loss)/profit for the financial year	(15 2)p	(1 4)p	(16 6)p	(5 0)p		5 5p

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares The Company has three classes of potential ordinary shares, share options warrants and the Schlumberger debt deferral agreement (see note 23 – Interest rate risk) As explained below, all three classes are not dilutive for the current period

Share options
Only share options that are exercisable at the reporting date are potential ordinary shares The lowest exercise price of exercisable share options is 675p per share (see note 18(a)) This is above the average market price of the shares in issue for the period On that basis none of the share options are considered dilutive

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

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

10 Intangible Fixed Assets

Intangible	Group exploration costs 2006 £'000	Group exploration costs 2005 £'000	Company exploration costs 2006 £'000	Company exploration costs 2005 £'000
At 1 January	**6,278**	5,906	—	—
Additions	**426**	372	—	—
Disposal	**(763)**	—	—	—
Costs written off	**(4,092)**	—	—	—
At 31 December	**1,849**	6,278	—	—

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves At 31 December 2006, intangible fixed assets totalled £1 8 million (2005 £6 3 million), all of which relates to Ireland and central and eastern Europe

On 9 September 2006 the Group sold its 20 per cent interest in the A Lovech block, onshore Bulgaria, to its partner Direct Petroleum Bulgaria Limited for $1 45 million plus a 0 1 per cent royalty over all future production from the acreage The Group has retained a carrying value of £39,000 for the royalty interest

Since last September JugoPetrol Kotor ("JPK"), a subsidiary of Hellenic Petroleum ("Hellenic"), and Ramco have agreed to reverse the restructuring arrangement entered into in 2005 which converted Ramco's participation into a 15 per cent back in option and for Ramco to revert to a 40 per cent working interest in both the Ulcinj and Prevlaka (blocks 1 & 2) concessions

JPK and Hellenic have informed the Group that their attempts to re negotiate concession terms with the Government of Montenegro reached an impasse and that the Government has intimated its unilateral decision to terminate the concession over the Ulcinj block The Group, together with JPK and Hellenic, continue to dispute the validity of this unilateral decision, but at this time no concrete progress has been made and there is no prospect of a short term resolution In the absence of any probable reversal of the decision, the Group has written off £3,950,000 of exploration costs directly attributable to the Ulcinj concession The concessions over the remaining two Prevlaka blocks are unaffected by the dispute and account for £803,000 of the remaining carrying value of intangible fixed assets The Prevlaka concession expired on 31 March 2007 so the carrying value is dependent on the application for an extension being accepted by the Government of Montenegro

11 Tangible Fixed Assets

		Land and buildings			
	Producing assets £'000	Freehold £'000	Long leasehold £'000	Plant, fixtures and equipment £'000	Total £'000
Group					
Cost or valuation					
At 1 January 2006	155,809	1,519	1,113	1,361	159 802
Additions	—		—	181	181
Disposals	(155,809)	(1,519)	—	(1,066)	(158,394)
At 31 December 2006	**—**	**—**	**1,113**	**476**	**1,589**
Depreciation					
At 1 January 2006	145,916	121	960	1,238	148,235
Provided during the year	27	15	133	72	247
Disposals	(145,943)	(136)	—	(1,016)	(147,095)
At 31 December 2006	**—**	**—**	**1,093**	**294**	**1,387**
Net book value					
At 31 December 2006	**—**	**—**	**20**	**182**	**202**
At 31 December 2005	9,893	1,398	153	123	11,567

	Freehold land and buildings £'000	Plant, fixtures and equipment £'000	Total £'000
Company			
Cost			
At 1 January 2006	1,519	803	2,322
Additions	—	181	181
Disposals	(1,519)	(520)	(2,039)
At 31 December 2006	**—**	**464**	**464**
Depreciation			
At 1 January 2006	121	687	808
Provided during the year	15	69	84
Disposals	(136)	(473)	(609)
At 31 December 2006	**—**	**283**	**283**
Net book value			
At 31 December 2006	**—**	**181**	**181**
At 31 December 2005	1,398	116	1,514

The gross amount held under a finance lease is £39,000, with associated accumulated depreciation of £1 000 This finance lease is included within the plant, fixtures and equipment category and relates to leasehold improvements to the new registered office of the Company

12 Debtors

Amounts falling due within one year	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade debtors	**8**	925	**8**	—
Amounts owed by subsidiary undertakings	**—**	—	**16**	—
Amounts owed by joint ventures*	**19**	37	—	—
Value added tax and other taxes	**101**	61	**67**	58
Other debtors	**120**	556	**83**	152
Prepayments	**80**	69	**57**	54
	328	1,648	**231**	264

*All trading balances related to jointly operated assets

13 Creditors – Amounts Falling Due Within One Year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank loan (note 14)	—	8,201	—	—
Trade creditors*	**1,196**	1,504	**1,152**	316
Amounts owed to subsidiary undertakings	**—**	—	**607**	—
Other taxes and social security	**56**	290	**43**	78
Accruals	**211**	1,428	**115**	718
Other creditors	**4**	195	**4**	187
	1,467	11,618	**1,921**	1,299

*Trade creditors includes an amount of £1,064,000 (2005 £992,000) due to Schlumberger Offshore Services Limited (see note 23 Interest rate risk)

14 Creditors – Amounts Falling Due After More Than One Year

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Bank loans	**55,642**	64,242	**—**	—
Less: bank loans impairment	**(55,642)**	(64,242)	**—**	—
Accruals	**574**	—	**574**	—
Finance lease	**34**	—	**34**	—
	608	—	**608**	—

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

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

The table below describes the loan balances:

		2006	2005
		£'000	£'000
Bank loans:	Main and mezzanine	**46,088**	68,415
	Unpaid gas price hedge	**13,199**	13,199
	Unpaid interest on loan	**4,556**	4,556
	Repaid during the year	**(8,201)**	(13,727)
		55,642	72,443
Less: Impairment borne by finance provider		**(55,642)**	(64,242)
		—	8,201
Classified as amounts falling due within one year		**—**	(8,201)
		—	—

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

The £8.6 million mezzanine facility has been formally written off by the bank and has, therefore, been deducted from the amounts of the bank loan and the impairment borne by the bank. The remaining amount due of £55.6 million was not formally written off by the bank as at 31 December 2006. However, under the terms of the agreement for the sale of RCSL to Marathon International Petroleum Hibernia Limited, all sums due to them have been retired. The impairment borne by the bank represents adjustments to the non recourse element of the loan for the following reasons;

1) to bring the non recourse element of the loan in line with the net realisable value of Seven Heads gas field; and
2) to reflect the bank's role as guarantor over the gas price hedge.

15 Provisions for Liabilities and Charges

	Legal fees £'000	Decommissioning provision £'000	Vacant property £'000	Dilapidation provision £'000	Total £'000
Group					
At 1 January 2006	161	5,198	26	—	5,385
Disposal of subsidiary	—	(5,198)	—	—	(5,198)
Provided in the year	—	—	—	25	25
Utilised/released to the profit and loss account	(161)	—	(26)	—	(187)
At 31 December 2006	—	—	—	25	25

	Vacant property £'000	Dilapidation provision £'000	Total £'000
Company			
At 1 January 2006	26	—	26
Released to the profit and loss account	(26)	—	(26)
Provided in the year	—	25	25
At 31 December 2006	—	25	25

Legal fees

The legal fee provision of £161,000 in 2005 related to the estimated cost of pursuing the appeal process in relation to the Tenge legal case (see note 26)

Decommissioning

The decommissioning provision of £5 2 million in 2005 related to producing wells in the Seven Heads gas field The provision was estimated using existing technology at current prices escalated at 2 5% and discounted at 7% The decommissioning provision was held in Ramco Celtic Sea Limited which was sold in February 2006

Vacant property and dilapidation provision

The Group has one leasehold property, which is sub let The sub tenants did not exercise their option to terminate their subordinate lease before the Group's head lease expires in September 2007 Both leases are now co terminus Hence, the 2005 vacant property provision for residual lease commitments was released to the profit and loss account The Group's obligation with regard to terminal dilapidations under the terms of the head lease has been provided for in the year

16 Deferred Taxation

Deferred taxation was provided as follows

	Group	
	2006 £'000	2005 £'000
Provision at 1 January	—	37
Deferred tax charge in profit and loss account for year	—	59
Balance removed on company exiting Group	—	(96)
Provision at 31 December	—	—

The unprovided asset for deferred taxation is as follows

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Capital allowances in advance of depreciation	**(334)**	(412)	**(100)**	(108)
Short term timing differences	**(8)**	(46)	**(8)**	—
Unrelieved losses	**(4,642)**	(4,104)	**(1,253)**	(1,124)
Unrelieved capital losses	**(668)**	—	—	—
	(5,652)	(4,562)	**(1,361)**	(1,232)

17 Share Capital

Group and Company	2006 £'000	2005 £'000
Authorised		
40,000,000 (2005 40,000,000) ordinary shares of 10p each	**4,000**	4,000
Allotted, called up and fully paid		
35,017,815 (2005 33,144,713) ordinary shares of 10p each	**3,502**	3,314

On 5 April 2006, 520,322 new ordinary shares of 10p each were issued for 28 5 per share The issue raised £148,000

On 1 June 2006, 952,380 new ordinary shares of 10p each were issued for 10 5p per share and 400,400 new ordinary shares of 10p each were issued for 12 5p per share The issue raised £150,000

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

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

	2006 Pence per share		2005 Pence per share	
	High	Low	High	Low
First quarter	**33 0**	**24 0**	56 5	23 5
Second quarter	**35 0**	**13 0**	42 5	23 5
Third quarter	**31 0**	**21 5**	37 0	27 5
Fourth quarter	**25 0**	**16 5**	32 5	25 5

18 Share Based Payments

(a) Share based payments of the Company

The Company has granted options under a number of Employee Share Options Schemes Before any of the share options granted under these schemes can be exercised the Group must first have achieved certain performance targets, as detailed below All options are to be settled by physical delivery of shares As at 31 December 2006 the following options were outstanding

Option price	2006	2005	Exerciseable at 31 Dec 2006	Remaining contractual life	Normal exercise dates	Target variable	Target
595p	—	29,000	—	—	10/5/99 – 9/5/06	EPS	> RPI
755p	—	96,400	—	—	7/11/99 – 6/11/06	EPS	> RPI
1095p	**2,000**	2,000	2,000	0 2 years	25/2/00 – 24/2/07	EPS	> RPI
1095p	**2,500**	2,500	2,500	0 2 years	19/3/00 – 18/3/07	EPS	> RPI
675p	**148,500**	234,000	148,500	1 3 years	30/4/01 – 29/4/08	EPS	> RPI
675p	**51,500**	51,500	51,500	1 3 years	5/5/01 – 4/5/08	EPS	> RPI
395p	**8,000**	10,000	—	2 5 years	17/7/02 – 16/7/09	TSR	> RPI+5% p a
395p	**32,500**	40,500	—	2 5 years	17/7/04 – 16/7/09	TSR	> RPI+10% p a
347 5p	—	175,870	—	—	11/5/04 – 10/5/11	TSR	(2)
347 5p	**172,425**	233,130	—	4 4 years	11/5/06 – 10/5/11	TSR	(1)
335p	**1,800**	15,300	—	5 4 years	5/6/05 – 4/6/12	TSR	(2)
335p	**3,200**	3,200	—	5 4 years	5/6/07 – 4/6/12	TSR	(1)
222 5p	—	900	—	—	11/10/05 – 10/10/12	TSR	(2)
222 5p	—	25,600	—	—	11/10/07 – 10/10/12	TSR	(1)
350p	**16,920**	28,260	—	6 8 years	14/10/06 – 13/10/13	TSR	(2)
350p	**30,080**	50,240	—	6 8 years	14/10/08 – 13/10/13	TSR	(1)
34p	**745,000**	820,000	—	8 6 years	30/7/08 – 29/7/15	TSR	(2)
21p	**25,000**	—	—	9 8 years	10/11/09 – 9/11/16	TSR	(2)
	1,239,425	1,818,400	204,500				

(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 16 to 19

18 Share Based Payments *continued*

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

	2006		2005	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding at 1 January	**1,818,400**	284p	1,143,400	476p
Options granted	**25,000**	21p	820,000	34p
Options cancelled or expired	**(603,975)**	427p	(145,000)	383p
Options outstanding at 31 December	**1,239,425**	210p	1,818,400	284p
Options available for grant 31 December	**305,534**		95,841	
Options exercisable at 31 December	**204,500**	684p	465,900	660p

The options outstanding at 31 December 2006 have an exercise price range of 21p to 1095p and a weighted average contractual life of 6 6 years

The recognition and measurement requirements of FRS 20 have been applied to all options granted after 7 November 2002, as stipulated by this standard The fair value of services received in return for these share options is based on the fair value of the share options granted, measured using a TSR simulation model, with the following inputs

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

Grant date	9/11/2006	29/7/2005	13/10/2003	13/10/2003
Performance target	(2)	(2)	(2)	(1)
Number of options granted	25,000	820,000	33,480	59,520
Fair value at grant date	17p	34 3p	155p	140p
Share price at grant date	21p	30p	350p	350p
Exercise price	21p	34p	350p	350p
Expected volatility	119%	115%	37%	37%
Expected option life	7 years	7 years	7 years	8 years
Risk free interest rate (based on government bonds)	4 7%	4 3%	4 8%	4 8%
Expected dividend yield	0%	0%	0%	0%

Employee expense

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

	2006 £'000	2005 £'000
(Credit)/expense for share options granted in 2003	**(16)**	28
Expense for share options granted in 2005	**82**	40
Expense for share options granted in 2006	—	—
Total expense recognised as employee costs in the period	**66**	68

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

(b) Share based payments of the Group

In addition to the share based payments made by the Company, two further share based payments were made in the period by a 86 25 per cent owned AIM listed subsidiary of the Group, Lansdowne Oil & Gas plc ("Lansdowne") Lansdowne made share based payments in the form of share options and warrants

(i) Lansdowne share options

Lansdowne granted options to one of its Directors under its Employee Share Option Scheme As at 31 December 2006, the options granted were outstanding and the number of further options available for grant under the scheme rules was 840,000 No Lansdowne options were cancelled or expired in the year

Option price	Number of options	Exercisable at 31 December 2006	Remaining contractual life	Normal exercise dates
85p	200,000	—	9 6 years	26/6/09 – 25/6/16

Before these share options can be exercised the Lansdowne group of companies must meet the performance criterion of being in the top two thirds of the table of growth on Total Shareholder Return ("TSR") of the companies in the FTSE all share index between the grant date of 26 July 2006 and the earliest exercise date

The fair value of services received in return for share options is based on the fair value of the share options granted, measured using a TSR simulation model, with the following inputs

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

Grant date	26/7/2006
Number of options granted	200,000
Fair value at grant date	42 7p
Share price at grant date	59 5p
Exercise price	85p
Expected volatility	100%
Expected option life	6 5 years
Risk free interest rate (based on government bonds)	4 7%
Expected dividend yield	0%

The total fair value of the options granted in 2006 of £85,000 is charged to the profit and loss account over the vesting period of three years, resulting in a charge in 2006 of £12,000, of which £2,000 was allocated to minority interests (see note 21)

18 Share Based Payments *continued*

(ii) Lansdowne warrants

On 10 April 2006 Lansdowne granted warrants over 312,239 of its shares (exercisable from 10 April 2006 until 9 April 2011) for services rendered in connection with the brokerage of the Lansdowne Initial Public Offering Lansdowne rebutted the presumption in FRS 20 that the fair value of equity settled transactions with parties other than employees can be measured reliably at the fair value of the services received because there is no active market for brokerage services settled in this manner Hence, the fair value of the warrant instruments themselves was used as an estimate of the value of the services received Lansdowne considers that the fair value of the warrant instruments can be reliably estimated using a Black Scholes valuation model The valuation given by this method for the warrants granted was £136,000 There were no performance conditions attached to the warrants, so they vested immediately Therefore, the full charge was expensed in the year As the services provided were for transaction costs of the share issue, the expense was deducted from Lansdowne's share premium account

Fair value of warrants and assumptions

Fair value at grant date	43 4p
Share price at grant date	85p
Exercise price	85p
Expected volatility	81 7%
Risk free interest rate (based on government bonds)	4 47%
Expected dividend yield	0%

19 Reserves

	Share premium account £'000	Profit & loss account £ 000
Group		
At 1 January 2006	69,294	(65,319)
Loss for the financial year	—	(5,702)
Issue of new shares	111	—
Share based payments charge (note 18)	—	76
At 31 December 2006	**69,405**	**(70,945)**

	Share premium account £ 000	Profit & loss account £ 000
Company		
At 1 January 2006	69,294	(70,844)
Loss for the financial year	—	(3 218)
Issue of new shares	111	—
Share based payments charge (note 18)	—	66
At 31 December 2006	**69,405**	**(73,996)**

The opening profit and loss account as at 1 January 2006, for both Group and Company, includes the effect of share based payment charges of £109,000 from prior periods, of which £68,000 relates to 2005

20 Movement in Shareholders' Funds

	Group		Company	
	2006 £'000	2005 restated £'000	2006 £'000	2005 restated £'000
(Loss)/profit for the financial year	**(5,702)**	1,738	**(3,218)**	(5,578)
Issue of ordinary share capital	**299**	1,018	**299**	1,018
Share based payments charge	**76**	68	**66**	68
Amortisation of deferred gain on asset sold to joint venture	**—**	(18)	**—**	—
Net change in shareholders' funds	**(5,327)**	2,806	**(2,853)**	(4,492)
Shareholders' funds at 1 January	**7,289**	4,483	**1,764**	6,256
Shareholders' funds at 31 December	**1,962**	7,289	**(1,089)**	1,764

21 Minority Interest

Group	2006 £'000
At 31 January 2006	—
Created on listing of Lansdowne	**393**
Share of Lansdowne's results since listing	**(51)**
Share of Lansdowne's share based payment reserve (included within profit and loss account)	**2**
At 31 December 2006	**344**

On 21 April 2006 the Group completed an Initial Public Offering of Lansdowne (see note 6 (a)) At Group level, this created a minority interest of 13 75 per cent in the net assets and results of Lansdowne The minority interest carried in the Group balance sheet is classified as equity

22 Pension Commitments

The Group contributes to a number of defined contribution pension schemes The assets of these schemes are held separately from those of the Group in independently administered funds The pension cost charge represents contributions payable by the Group to the funds and amounted to £183,000 (2005 £292,000) Contributions totalling £nil (2005 £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 16 to 19

23 Financial Instruments

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

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

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

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

Commodity price risk
Commercial production of gas from the Seven Heads development started in December 2003 As a requirement of the associated project finance, the Group put in place hedges against the price of natural gas for the first three years of anticipated production After the sale of the Seven Heads gas field in February 2006, the gas price hedges were closed out The final amounts due under the contracts were borne by the Group's bankers in their role as guarantor over the contracts

Future requirements for hedges against fluctuations in oil or gas prices will be reviewed by the Board on a project by project basis

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

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

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

The Group adopts a policy of ensuring that between 40 and 60 per cent of any exposure to changes in interest rates on borrowing is on a fixed rate basis Interest rate swaps are entered into to achieve an appropriate mix of fixed and floating rate exposure

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

	2006						2005					
Variable rate instruments	**Average effective interest rate**	**Total £ 000**	**0–1 years £ 000**	**1 2 years £ 000**	**2–5 years £ 000**	**More than 5 years £ 000**	**Average effective interest rate**	**Total £'000**	**0–1 years £'000**	**1 2 years £'000**	**2 5 years £ 000**	**More than 5 years £'000**
Cash on deposit	**4.26%**	**2,025**	**2,025**	—	—	—	2 12%	4,789	4,789	—	—	—
Debt deferral instrument	**8.53%**	**(1,064)**	**(1,064)**	—	—	—	7 90%	(992)	(992)	—	—	—
Unprovided bank loans	—	—	—	—	—	—	6 65%	(8,201)	(8,201)	—	—	—
Finance lease liability	**7 00%**	**(38)**	**(4)**	**(4)**	**(12)**	**(18)**	—	—	—	—	—	—
		923	**957**	**(4)**	**(12)**	**(18)**		(4,404)	(4,404)	—	—	—

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

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

As at the reporting date, the Group's bank loan financial liability nets with an equal and opposite financial asset derived from the bank's waiver agreement, as shown in note 14 Consequently, there is now no interest rate risk associated with the bank loan

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

23 Financial Instruments *continued*

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

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

At 31 December 2006, currency exposures are as follows

	Net foreign currency monetary assets			
Functional currency of Group operation	**Euro £'000**	**US Dollars £'000**	**Other £'000**	**Total £'000**
Sterling	**13**	**793**	**—**	**806**

Foreign exchange losses totalling £73,000 (2005 £2,000) have been recognised in the profit and loss account for the year

At 31 December 2005, currency exposures were as follows

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

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

Fair values
The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2006 Set out below the table is a summary of the methods and assumptions used for each category of instrument

	2006		2005	
	Book value £'000	**Fair value £'000**	**Book value £'000**	**Fair value restated £'000**
Cash	**2,027**	**2,027**	4,799	4 799
Short term borrowings	**—**	**—**	(8,201)	(8,201)
Other non derivative financial liabilities	**(1,127)**	**(1,127)**	(5,385)	(5 385)
Derivative financial instruments – gas price swaps	**—**	**—**	—	(33,836)
	900	**900**	(8,787)	(42,623)

Cash and short term borrowings
The fair value approximates to the carrying value because of the short maturity of these instruments

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

Derivative financial instruments – gas price swaps
The fair value of the gas price swaps was determined using the forward price curves available from the International Petroleum Exchange, which is the market on which gas contracts are traded The fair value was discounted at a rate of 7 per cent, being the rate at which the Group could have obtained borrowings at 31 December 2005 The corresponding amount shown for 2005 has been restated to reflect a calculation based on the above assumptions and method The amount stated in the 2005 Group accounts was the undiscounted figure, as stated on the bank guarantee letter

Derivative financial instruments
The interest rate and gas price swaps associated with the Seven Heads development have now both been fully closed out The losses which crystallised in this process were met by the Group's bankers in their role as guarantor over the contracts The Group has no outstanding derivative financial instruments at the reporting date and, therefore, no unrecognised gains or losses associated with such instruments

24 Other Financial Commitments

	Land and buildings 2006 £'000	Land and buildings 2005 £'000
Group		
Operating leases which expire		
Within one year	**14**	—
In the second to fifth years inclusive	**—**	49
In more than five years	**37**	—
	51	49

Leases of land and buildings are subject to periodic rent reviews

Rental expenses are disclosed in note 3 and finance lease commitments are disclosed in note 23

25 Notes to the Consolidated Cash Flow Statement

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

	Continuing £'000	Discontinued £'000	2006 £'000	2005 restated £'000
Operating (loss)/profit	(6,726)	616	**(6,110)**	5,265
Amortisation of goodwill	—	—	—	30
Amortisation of deferred gain on asset sold to joint venture	—	—	—	(18)
Depreciation of tangible fixed assets	220	27	**247**	1,133
Equity settled share based payment transactions	78	—	**78**	68
Gain on sale of tangible fixed assets	(133)	—	**(133)**	(9)
Gain on sale of investments	—	—	—	(142)
Decrease in stocks	—	—	—	2,109
Decrease/(increase) in debtors	62	(218)	**(156)**	(248)
(Decrease)/increase in creditors	(1,263)	575	**(688)**	357
(Decrease)/increase in other provisions	(162)	30	**(132)**	(178)
Write off of intangible fixed assets	4,092	—	**4,092**	
Impairment provision	—	—	—	(4,851)
Unpaid gas price hedges added to loan	—	—	—	10 856
Impairment borne by finance provider	—	—	—	(10 830)
Net cash (outflow)/inflow from operating activities	(3,832)	1,030	**(2,802)**	3,542

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

	2006 £'000	2005 £'000
(Decrease)/increase in cash in the year	**(2,772)**	1,534
Cash outflow from reduction in debt	**8,201**	13,727
Impairment borne by finance provider	—	10,830
Unpaid gas price hedge and interest on loan	—	(13,083)
Change in net debt resulting from cash flows	**5,429**	13,008
New finance lease	**(38)**	—
Movement in net funds/(debt) in period	**5,391**	13,008
Net debt at start of year		
Cash at bank and in hand	**4,799**	3,265
Debts due within one year	**(8,201)**	(19,675)
	(3,402)	(16,410)
Net funds/(debt) at the end of the year	**1,989**	(3,402)
Represented by		
Cash at bank and in hand	**2,027**	4,799
Debts due within one year	—	(8,201)
Finance lease creditor	**(38)**	—
	1,989	(3 402)

The reduction of debt in the year of £8 2 million comprises the £5 3 million from the sale of RCSL (see note 6) that flowed directly to the finance providers and the cash outflow of £2 9 million, as shown on the Consolidated Cash Flow Statement

(c) Analysis of net funds/(debt)

	At 1 January 2006 £'000	Repaid £'000	Cash £'000	Finance lease £'000	At 31 December 2006 £'000
Cash at bank and in hand	4,799	—	(2,772)	—	**2,027**
Debt due within one year	(8,201)	8,201	—	—	—
Finance lease creditor	—	—	—	(38)	**(38)**
	(3,402)	8,201	(2,772)	(38)	**1,989**

(d) Disposal of RCSL

The Group disposed of Ramco Celtic Sea Limited on 2 February 2006 (see note 6)

	£'000
Tangible fixed assets	9,866
Debtors	1,170
Creditors	(11,364)
	(328)
Loss on disposal	(923)
Cash outflow from disposal	**(1,251)**

RCSL contributed £0 8 million of the 2006 operating cash flows

26 Tenge Litigation

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

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

The plaintiffs filed a motion for rehearing the appeal, which was denied by the Fourteenth Texas Court of Appeals in October 2006 Early in 2007 the plaintiffs twice petitioned the Texas Supreme Court to review the decision of the Court of Appeals However, on 20 April 2007 the Texas Supreme Court denied the plaintiffs' petition because it determined that the plaintiffs' petition did not present any error which required reversal The Directors now consider the case closed

The provision of £161,000 for legal fees as at 31 December 2005 was fully utilised in the year (see note 15) The Directors do not consider that a provision is required at the balance sheet date

27 Group Undertakings

	Country of registration	Class of shares	Proportion held	Nature of business
Principal operating subsidiary undertakings at 31 December 2006				
Ramco Oil & Gas Limited	Scotland	Ordinary	100%	Holding company
Ramco Eastern Europe Limited[1]	Scotland	Ordinary	100%	Holding company
Ramco Hazar Energy Limited[2]	Scotland	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas Limited[1]	England	Ordinary	100%	Oil and gas projects
Ramco Seven Heads Limited[1]	Scotland	Ordinary	100%	Oil and gas projects
Northern Exploration Limited[2]	Ireland	Ordinary	100%	Oil and gas projects
Medusa Montenegro Limited[2]	Scotland	Ordinary	100%	Oil and gas projects
Ramco Bulgaria Limited[3]	Scotland	Ordinary	100%	Oil and gas projects
Ramco Oil & Gas B V[2]	Netherlands	Ordinary	100%	Oil and gas projects
Ramco Hibernia Limited[1]	England	Ordinary	100%	Holding company
Lansdowne Oil & Gas plc[4]	England	Ordinary	86 25%	Oil and gas projects
Lansdowne Celtic Sea Limited[5]	England	Ordinary	86 25%	Oil and gas projects
Donegal Exploration Limited[5]	Ireland	Ordinary	86 25%	Oil and gas projects

In addition there are a number of non trading subsidiary undertakings

[1] Shares held by the Company The carrying value of these investments has been written down to £nil (2005 £nil)
[2] Shares held by Ramco Oil & Gas Limited
[3] Shares held by Ramco Oil & Gas B V
[4] Shares held by Ramco Oil & Gas Limited and Ramco Eastern Europe Limited
[5] Wholly owned subsidiaries of Lansdowne Oil & Gas plc

28 Post Balance Sheet Events

(a) Group restructuring
On 15 March 2007, the shareholding of Lansdowne was transferred between Ramco subsidiaries in order to better align the Group's structure with its ongoing commercial activities Prior to this restructuring Ramco Eastern Europe Limited ("REEL") owned 27 45 per cent of Lansdowne and Ramco Oil and Gas Limited ("ROGL") owned 58 80 per cent of Lansdowne Since 1999, REEL has operated predominantly as an investment company providing services to its subsidiaries However, in recent years the structure of this sub group has changed with all of its subsidiaries either being liquidated or being transferred outwith the REEL sub group Consequently, REEL no longer has any meaningful function within the Group, and it is the Directors intention is to place it into liquidation ROGL will continue with its role but for non Irish assets only The desire, therefore, was to move the Lansdowne assets out of the REEL and ROGL sub groups These companies transferred their shareholdings in Lansdowne to Ramco Hibernia Limited ("RHL") at a fair value consideration of 59 5p per share RHL is a wholly owned subsidiary of Ramco Energy plc and became the holder of 17,953,308 ordinary shares, representing 86 25 per cent of the issued share capital of Lansdowne The ultimate ownership of Lansdowne remained unchanged by these share transactions

(b) Lansdowne divestment and appointment of Non Executive Directors
On 26 June 2007 Ramco Hibernia Limited sold 5 225,000 ordinary shares (25 1 per cent) in Lansdowne at a price of 50p per share to LC Capital Master Fund, generating a cash consideration of £2,612,000 LC Capital Master Fund is currently the holder 4 86 per cent of the share capital of Ramco Energy plc (see page 11)

Linked to this sale and purchase agreement are the following contractual agreements

- The Group has granted LC Capital Master Fund an option to purchase their remaining 12,728,308 Lansdowne shares (61 15 per cent) at an exercise price equivalent to the average of the closing price of a share in Lansdowne for the 20 dealing days prior to the date of exercise The option can be exercised in whole or part and has a three year life from the date of the sale

- The Group has granted warrants over 5,000,000 ordinary shares in Ramco Energy plc at an exercise price of 14p per share The warrants have a five year life from the date of the sale

- LC Capital Master Fund has the right to nominate two Non Executive Directors to the Board of Ramco Energy plc

- The Company will use its reasonable endeavours to procure that, subject to approval by the Directors of Lansdowne, a nominee of LC Capital Master Fund will be elected as a Non Executive Director of Lansdowne

(c) Sale of Baku office lease
The Group sold the lease over its office in Baku in January 2007 for a gross settlement of $200,000 The gain on sale was £81,000 The rental income from the office and directly attributable office overheads during 2006 have been included in discontinued operations in the profit and loss account

Five Year Record

	2006 £'000	2005 restated £ 000	2004 £ 000	2003 £ 000	2002 £ 000
Group turnover	**986**	13,664	41,927	20,832	16,809
Cost of sales	**(1,943)**	(22,535)	(45,519)	(24,249)	(23,560)
Exceptional items	**(3,950)**	15,681	5,714	(99,174)	—
Gross (loss)/profit	**(4,907)**	6,810	2,122	(102,591)	(6,751)
Administrative expenses	**(1,130)**	(1,543)	(1,421)	(1,778)	(1,430)
Exceptional items	**422**	(809)	—	—	—
Loss on exchange	**(73)**	(2)	(103)	(686)	(2,750)
Group operating (loss)/profit	**(5,688)**	4,456	598	(105 055)	(10,931)
Income from interests in joint venture	—	582	617	166	18
Income/(loss) from interests in associates	—	74	64	53	(52)
(Loss)/profit before investment income, interest and taxation	**(5,688)**	5,112	1,279	(104,836)	(10,965)
Investment income	—	—	—	3	—
Net interest receivable/(payable)	**9**	(3,290)	(4,565)	738	1,765
Taxation	**(74)**	(84)	(91)	27 404	(142)
(Loss)/profit for the financial year	**(5,753)**	1,738	(3,377)	(76,691)	(9,342)
(Loss)/earnings per share	**(16 6)p**	5 5p	(11 2)p	(278 2)p	(35 9)p
Weighted average number of shares used to compute (loss)/earnings per share	**34,317,614**	31,714,576	30,144,713	27,570,483	26,037,656

Advisers

Secretary
Christopher Moar MA CA

Registered Office
Britannia House
Endeavour Drive
Arnhall Business Park
Westhill
Aberdeenshire AB32 6UF
Registered in Scotland number 62845

Investor Relations
College Hill Associates Limited
78 Cannon Street
London EC4N 6HH

Nominated Adviser and Broker
John East & Partners Limited
Crystal Gate
28 30 Worship Street
London EC2A 2AH

Auditors
PricewaterhouseCoopers LLP
32 Albyn Place
Aberdeen AB10 1YL

Solicitors
Ledingham Chalmers
Johnstone House
52 54 Rose Street
Aberdeen AB10 1HA

Burness Solicitors
50 Lothian Road
Festival Square
Edinburgh EH3 9WJ

Bankers
Bank of Scotland
39 Albyn Place
Aberdeen AB10 1YN

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Websites
www ramco plc com
www lansdowneoilandgas com

Notice of Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of the members of Ramco Energy plc will be held at the Holiday Inn, Westhill Drive, Westhill, Aberdeenshire on 26 July 2007 at 12 30 p m to conduct the following business

1 To receive the Report of the Directors, the financial statements for the period ended 31 December 2006 and the Auditors' Report thereon

2 To consider the re election of C Moar, who has been appointed as a Director since the last AGM, and being eligible offers himself for re election as a Director

3 That PricewaterhouseCoopers LLP be reappointed Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors

4 As special business to consider the following Resolution as an Ordinary Resolution

That the authorised share capital of the Company be increased to £7,000,000 by the creation of 30,000,000 ordinary shares of 10p each, ranking pari passu with the existing 40,000,000 ordinary shares of 10p each forming the entire authorised share capital of the Company

5 As special business to consider the following Resolution as an Ordinary Resolution

That in accordance with Article 19 of the Articles of Association of the Company, the Directors be and they are hereby authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to allot relevant securities (as defined in the said Section 80) up to the amount of the sum equal to 1/3 of the issued share capital of the Company as at the date hereof, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company, except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry

6 As special business to consider the following Resolution as a Special Resolution

That in accordance with Article 20 of the Articles of Association of the Company, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (as defined in Section 94 of the Act) for cash as if sub section 89(1) of the Act did not apply to the allotment of equity securities pursuant to the provisions of that Article provided that for the purpose of paragraph (c) of that Article the nominal amount shall not exceed £501,000, of which £150,000 shall be used to effect the allotment of equity securities pursuant to the exercise of warrants granted by the Company to LC Capital Master Fund, Ltd pursuant to a warrant instrument dated on 26 June 2007 in connection with the Company's recent fundraising (the authority required to effect the allotment of the balance of 3,500,000 equity securities over which warrants have been granted having been obtained at the Company's Annual General Meeting held on 31 July 2006), and such power shall expire on the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after its expiry

7 As special business to consider the following Resolution as a Special Resolution

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

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

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

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

By order of the Board
C G Moar
Company Secretary
Britannia House, Endeavour Drive, Arnhall Business Park
Westhill AB32 6UF
26 June 2007

Every member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies, who need not be a member of the Company, to attend and on a poll, vote instead of him or her Return of the form of proxy will not prevent a member from attending and voting in person To be effective, forms of proxy must be received by the Company's registrars, Capita Registrars, at least 48 hours before the meeting

The Company, pursuant to regulation 34 of the Uncertificated Securities Regulations 1995 (as amended) specifies that only those shareholders registered in the register of members of the Company at 10 00 a m on 24 July 2007 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting

The following documents are available for inspection at the registered office of the Company on any weekday from the date of this notice until the date of meeting and will be available for inspection at the place of the Annual General Meeting for a period of fifteen minutes prior to the meeting until its conclusion

A statement of all transactions of each Director and his family interest in the shares of the Company and copies of all service contracts of the Directors with the Company or any of its subsidiaries