

Ramco Energy plc

Annual Report & Financial Statements 2008

Ramco Energy plc is an Energy Investment Company based in Aberdeen, Scotland. Publicly quoted since 1984 and now listed on AIM (Alternative Investment Market), Ramco's current investments are held through subsidiaries and associate companies, covering both oil and gas and marine renewables.

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Chairman's Statement

Dear Shareholder,

In outlining our new strategy in last year's Annual Report, I described our vision for the future as Ramco '*The Energy Investment Company*' with the focus on offshore marine renewables in the form of wind, and the enormous opportunity afforded by the reconstruction of Iraq and its all-important oil industry. I referred to these opportunities as representing the two most significant energy stories of the next two or three decades and, whilst wishing to participate in both, stated that if we achieved a key role in either one, that would represent a significant achievement for the Company and its stakeholders.

At the time of writing, and following recent positive announcements, we are well on the way to succeeding in being involved in both. Our 80% owned subsidiary, SeaEnergy Renewables Limited ("SeaEnergy"), despite only being established in June of last year, has chalked up dramatic successes already. SeaEnergy has secured a net 456 MW of potential offshore wind power in two proposed wind farms offshore Scotland with large utility partners. This is an incredible achievement in the first year of SeaEnergy's development. In the case of Iraq and the rehabilitation of its oil industry, Mesopotamia Petroleum Company Limited ("MPC"), in which Ramco has a 32.67% interest, signed an historic joint venture ("JV") agreement with Iraq's government-owned drilling company Iraqi Drilling Company ("IDC"), in February 2009. In light of these significant achievements and the way in which we plan to take the Company forward we have continued to refine our strategy and believe a more appropriate positioning for the Company is as '*The Energy Opportunity Company*'.

Financial Results

A loss attributable to ordinary shareholders for the financial year, of £3.4 million was recorded in 2008 compared with a profit of £0.5 million in 2007. The 2008 results reflect seven months of SeaEnergy overheads, which did not impact the previous year's figures, and the 2007 results include profits arising predominantly from transactions in the shares of Lansdowne Oil & Gas plc ("Lansdowne"). The Group recorded a gain on the sale of shares in Lansdowne of £1.6 million in 2007. The Group also recorded a gain of £2.3 million on a deemed disposal, when its holding in Lansdowne was further diluted by an issue of new shares by Lansdowne.

Gross loss fell from £1.0 million in 2007 to £nil in 2008, reflecting the reduced level of expenditure written off in respect of intangible exploration assets.

The Directors do not recommend the payment of a dividend (2007: £nil).

The Group's net cash flow from continuing operating activities was an outflow of £3.2 million for 2008 (2007: outflow £2.7 million).

Net cash used in investing activities was £0.1 million (2007: cash generated £2.3 million). Proceeds from the sale of shares in Lansdowne in 2008 were £nil (2007: £2.6 million).

Total cash inflows from financing activities in 2008 were £2.2 million, compared to an inflow of £0.4 million in 2007. Proceeds from the issue of new share capital in 2008 were £0.7 million (2007: £0.4 million). Proceeds from new borrowings were £1.5 million (2007: £nil).

£1.5 million of the short term £2 million loan facility we announced in April 2008, which allowed us to secure the SeaEnergy team and launch that business, had been drawn by the year end. The balance has now been fully drawn. LC Capital Master Fund Limited ("LC"), the lender, has the option to convert this loan into equity in SeaEnergy alongside a third party investor should we choose to fund that business in that manner, or into the shares of Ramco at the mid-market price at the time of conversion.

Since my last statement in September 2008 the recovery in our share price has allowed the holders of warrants to exercise and provided the Company with additional working capital. In November 2008, LC exercised all of the 5,000,000 warrants they held, generating £0.7 million for the Company. That exercise resulted in LC becoming the largest shareholder in the Company, they now hold 12.64%. More recently in May and June 2009 other warrant holders exercised 3,000,000 warrants generating a further £1.02 million for the Company. There are now no warrants outstanding.

We are pleased that our recent positive progress has been recognised by investors and are delighted to have added Fidelity, a leading institutional investor, to our shareholder register with a 6.75% interest. The investment by Fidelity resulted in funds of approximately £1.6 million becoming available to the Company.

Operations

Our current investments cover five holdings in both renewables and oil & gas listed below.

<i>Renewables</i>	<i>Holding</i>	
SeaEnergy	80%	unquoted
<i>Oil & Gas</i>		
Ramco Oil & Gas	100%	unquoted
Eagle	100%	unquoted
Lansdowne	36.26%	AIM listed
MPC	32.67%	unquoted

SeaEnergy

In the short period from its launch in June 2008, to October 2008, SeaEnergy secured a number of significant results very quickly. This is a testament to the fact that the SeaEnergy team had already successfully worked together over a number of years. They announced joint ventures with two leading utilities and together with those partners submitted three bids in the Crown Estate's Scottish Round programme. Two of the three bids were successful and in February 2009 SeaEnergy entered into Exclusivity Agreements with the Crown Estate securing its first interests in potential offshore wind farms; the Beatrice site and the Inch Cape site.

The Beatrice Offshore Wind Farm site is located 9 miles off the east coast of Scotland in the Moray Firth and covers 49 sq miles in area, and is close to the two existing Beatrice Demonstrator turbines installed by Talisman Energy Inc. and Scottish and Southern Energy plc ("SSE"). SeaEnergy holds a 25% interest in the application with SSE subsidiary Airtricity Holdings (UK) Limited ("Airtricity") holding the other 75%. The ultimate size of the proposed wind farm will be determined following a comprehensive evaluation of the site and its potential interaction with both natural and man-made environments through research and stakeholder consultation, but is likely to be in the region of 920 MW \pm 30%.

The second site, the Inch Cape Offshore Wind Farm, is located 10 miles off the east coast of Scotland in the Outer Tay Estuary and covers 58 sq miles in area. SeaEnergy holds a 25% interest in the application with RWE AG subsidiary RWE npower renewables Limited holding the other 75%. As with the Beatrice site, an identical procedure will be pursued and the ultimate size of the site is likely to be in the region of 905 MW \pm 30%.

The Scottish Government expects to announce, in the first quarter of next year, the results of their Strategic Environmental Assessments ("SEA") covering all of the sites they awarded in February. Both of the SeaEnergy sites border UK Third Round sites, where the SEAs are substantially complete and for that reason we do not anticipate that the Scottish SEA process is likely to raise any issues which materially impact the development of our sites. SeaEnergy expects that a 24 month data gathering period over the sites will be required ahead of planning applications being filed. Moving forward, SeaEnergy and its co-venturers are concentrating on early investigations and data gathering over the proposed sites, and will engage in extensive stakeholder consultation.

SeaEnergy has also announced a further joint venture with EDP Renewables ("EDPR"), the majority owned renewable energy subsidiary of EDP the principal Portuguese utility and the world's fourth largest wind power generator. Together, SeaEnergy and EDPR have tendered for zones in the current Crown Estate managed UK Third Round leasing programme. Most of the zones available in the Third Round are substantially larger than the sites awarded in the Scottish Round and results are anticipated towards the end of 2009.

The Scottish Round and UK Third Round are the mechanisms by which the UK Government aims to see over 30GW of offshore wind capacity installed (equivalent to more than the UK's current household electricity consumption) and built by 2020. The number of further offshore sites will be restricted and their locations mean that most planned offshore wind-farms will be built in water depths of over 40 metres. To date, the SeaEnergy team is the only team in the world which has installed turbines in such water depths.

The UK currently lags behind most other EU states in the percentage of electricity generated from renewable sources and wind is the only energy source likely to make a meaningful contribution towards the strict EU targets within the time frame. As Rob Hastings of the Crown Estate stated recently, "It is the North Sea happening all over again".

In choosing to work with SeaEnergy our utility partners have confirmed the value we place on our unrivalled management team and its track record.

MPC

Since executing the Joint Venture Agreement between MPC and IDC, the Iraqi government-owned drilling company, at the end of February 2009, the parties have been diligently working to complete a comprehensive business plan for the Iraqi Oilfield Service Company MLLC ("IOSCO"), the joint venture entity that plans to conduct operations in Iraq. The business plan was recently completed and approved by the parties in Baghdad on 11 May 2009. The MPC team led by Deputy Chairman, Peter Redman, did an outstanding job in concluding months of hard work and establishing the jointly agreed road map for the way ahead. We are pleased with the efforts of the MPC team to establish the vision for IOSCO and the steps required to build a strong company.

At the same time as the IOSCO business plan was being finalised, two separate tender bids for the drilling of a total of 60 wells in IOSCO's initial geographic focus area were announced by the Missan Oil Company. IDC, on behalf of IOSCO, recently submitted proposals to drill and provide all the oilfield services requested in those tenders, to the Missan Oil Company. We expect to hear the results from these tender processes during the summer of 2009. While we remain optimistic that IOSCO will be the selected bidder in the tender processes, the exercise of preparing each of these bids enabled MPC and IDC personnel to work closely together, further strengthening the existing relationship between the parties. We believe this deepening relationship will be an important part of IOSCO's success in the future.

Ramco Oil & Gas

With our attention focused most recently on SeaEnergy and MPC, there is little to report concerning our interests in Bulgaria, Montenegro and Azerbaijan. However, the operator of the Bulgarian acreage where we hold a small royalty interest has announced a gas discovery of over 230 billion cubic feet and they are moving to the development stage. We look forward to receiving our first royalty payments shortly after production commences.

In Montenegro, delays in the introduction of new oil and gas legislation have deferred our progress in re-engaging with the Government on future opportunities in that country.

We continue to pursue a claim against the State Oil Company of the Azerbaijan Republic relating to rights connected to the Shallow Water Gunashli field. Both sides are finalising their written case and a hearing before an arbitration tribunal is scheduled for later this year in Stockholm.

Eagle

Since acquiring a portfolio of North Sea royalty interests during the first half of last year, discoveries have been announced following drilling on two of the blocks. Unfortunately the decline of the oil price in the latter part of last year has meant that neither of these blocks has been scheduled for further work in the current year. We have no expenditure related to holding these royalty interests and look forward to a future cash flow as the oil price recovers and the blocks move into development and ultimately production.

Lansdowne

Like most other AIM listed exploration companies Lansdowne's share price has suffered badly over the past year. However, the seismic acquisition programme it completed last year has provided the company with an excellent quality of data and has allowed an updated Competent Person's Report to be completed. This shows enhanced resources and value and has acted as a focus for potential farm in partners.

Lansdowne has since added further acreage to its portfolio with the award of the Lee Licensing Option, in the North Celtic Sea Basin. With a new owner of the Celtic Sea gas infrastructure now in place, I hope to see exploration activity in the area increase and expect that Lansdowne will play an important part in that activity.

Corporate

I was pleased to announce the appointment of Ambrian Partners Limited as Nominated Adviser and broker to the Company at the start of the year. Ambrian's focus on renewable energy and oil and gas fits well with our own focus and they have quickly become familiar with our activities and strategy, ably supporting our recent placing. Following that placing I was also delighted to be able to announce the return of Fidelity as a significant shareholder in the Company after an absence of over 10 years. I would also like to add my sincere thanks to Lampe Conway, now our largest shareholder for their steadfast support through the recent difficult years and look forward to creating further value for them and all of our shareholders.

Summary

At first glance, shareholders and investors may question the logic of being in both renewables and oil and gas. While issues around energy supply and consumption are increasingly understood by the public at large, it is important to understand that the skill-base that will support the development of a global offshore wind industry will come from the offshore oil and gas industry. Ramco together with the SeaEnergy team is one of the few companies that combine that expertise and understanding. I would like to thank my very able team at Ramco for contributing so much energy, commitment, and enthusiasm to our turnaround – they are invaluable.

Stephen Remp
Chairman

Board of Directors

Stephen Remp BA MA Hon D Tech
Executive Chairman Aged 62

Appointed August 1977. Steve, an American, 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 49

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 46

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 60

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

Steven G Lampe
Non-Executive Director Aged 50

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

Mark N Groves Gidney
Technical Adviser to the Board
Non-Executive Director Aged 50

Appointed August 2008, Mark is currently Chief Executive Officer of TRAP Oil Limited, a UK E&P company. Over the last 20 years Mark built up an oil and gas consultancy and it was one of their subsidiaries, Eagle HC Ltd, which Ramco acquired in 2008. Mark brings to Ramco an extensive subsurface expertise and commercial deal making capability and he fulfils his technical role at Ramco where the focus is on non North Sea oil and gas opportunities.

Licence Interests

The Group has the following interests in Licences and Royalties:

Oil and Gas

Royalties

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

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

Licences

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

Notes

(1) Prevlaka

The current licence expired on 31 March 2007. Ramco and its partners have applied for an extension. Past exploration costs were written off in 2007 (note 4).

(2) Ulcinj

The Government of Montenegro has terminated the concession over the Ulcinj block and past exploration costs have been written off (note 4).

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

Licence	Operator	Interest
4/07 Middleton East Kinsale Exploration Licence	Lansdowne	100%
5/07 Rosscarbery Exploration Licence	Lansdowne	99%
5/08 Amergin Exploration Licence	Milesian	100%
09/1 Lee Licensing Option	Lansdowne	100%
08/1 Barryroe Licensing Option	Lansdowne	40%

Renewables

Exclusivity Agreements offshore wind – held through the Company's holding in SeaEnergy Renewables Limited

Country	Licence	Partner	Interest
UK	Beatrice	SSE	25%
UK	Inch Cape	RWE	25%

Financial Review

Description of Business

Ramco Energy plc, a Scottish public limited company, and its subsidiaries form an energy group. The Group, through its 80% owned subsidiary, SeaEnergy Renewables Limited has secured substantial potential offshore wind farm acreage in two proposed wind farms offshore Scotland. Through its associate, Mesopotamia Petroleum Company Limited, the Group is participating in a joint venture agreement with the Iraqi Drilling Company. The Group is also exploring for, and appraising, oil and gas reserves in Ireland and eastern Europe. It also holds a portfolio of royalty interests primarily in the North Sea. The Chairman's Statement and Report of the Directors outline the strategy for future activities.

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

This financial review is intended to assist in the understanding of the Group's results of operations for the year ended 31 December 2008 and of its financial position at that date.

The consolidated financial statements and notes included elsewhere contain additional information and should be referred to in conjunction with this review. They have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The key financial data for the last five years is summarised on page 64.

Turnover

Consolidated Group turnover for 2008 was £nil (2007: £nil).

Gross Loss

Gross loss fell from £1.0 million in 2007 to £nil in 2008, reflecting the reduced level of expenditure written off in respect of intangible exploration assets (note 4).

Operating (Loss)/Profit

The Group recorded an operating loss of £3.0 million (2007: operating profit £0.6 million). The profit in 2007 predominantly arose from transactions in the shares of Lansdowne (note 22).

Total operating expenses, before material items, increased by 30% from £2.3 million in 2007 to £3.0 million in 2008. This increase was primarily due to higher professional fees and overheads incurred in connection with the establishment of the SeaEnergy Renewables business and legal fees in connection with the Shallow Water Guneshli arbitration. The expenses for 2007 include gains on disposal of the Baku office and other dilution gains which were non-recurring.

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

The Group recorded a gain on deemed disposal relating to its shareholding in Lansdowne of £2.3 million in 2007. There were no similar disposal gains recurring in 2008.

Net Finance Income

Net finance income of £54,000 was recorded in 2008 (2007: £98,000). Average cash balances and interest rates were lower in 2008 than in 2007.

(Loss)/Profit for the Financial Year

A loss for the financial year, attributable to ordinary shareholders, of £3.4 million was recorded in 2008 compared with a profit of £0.5 million in 2007 for the reasons outlined above.

Balance Sheet

The Group and Company balance sheets as at 31 December 2008 are shown on page 28. Group net assets are £2.9 million at 31 December 2008 (2007: £3.8 million).

Intangible assets have risen from £39,000 in 2007 to £2.4 million in 2008. Additions for the year were £0.1 million. During the year the Group acquired a new subsidiary (note 29), the fair value of the intangible assets acquired was £1.75 million. Goodwill of £0.5 million arose on the acquisition.

Investments are £2.7 million at 31 December 2008 (2007: £3.0 million). The reduction arises mainly from share of associate losses (note 6).

At 31 December 2008, the Group had cash balances of £1.1 million, compared to £2.1 million at 31 December 2007.

£1.2 million out of the total current liabilities of £3.5 million is the outstanding creditor balance due to Schlumberger. Under a deferral agreement signed in June 2005, Schlumberger irrevocably waived the right to retire the debt via a cash settlement. Instead they have the option to request Ramco Energy plc to issue new shares to them. Hence, there is no obligation for the Company to settle the debt through an outflow of resources within the next 12 months from the reporting date (see note 13).

A further £1.5 million of the total current liabilities relates to borrowings under a loan facility provided by LC Capital Master Fund Limited, a shareholder in the Company (the "Facility"). The first draw down was made in July 2008. Repayment was initially due six months thereafter in January 2009. With the consent of the lender this has been extended until 24 July 2009. Interest is payable at 4 per cent. per annum. Various repayment mechanisms are in place to repay the debt. In certain circumstances the loan may be repaid in full, prior to its scheduled maturity at the option of LC, through its conversion into an equity interest in potential new opportunities currently being pursued by Ramco. If the conversion is effected at the same time as other third parties invest it would be on the same terms as such other third parties invest. In all other circumstances, Ramco's liability under the Facility shall be repaid on the repayment date as follows:

- First, by Ramco repaying any unused amount of the Facility drawn down by it prior to that date;
- Secondly, to the extent that there remains any debt outstanding, by LC electing for such debt to be discharged by way of the subscription by it for new ordinary shares in Ramco at a price equal to the average closing mid-market price over the 10 dealing days immediately prior to such subscription, subject to there being in place sufficient Ramco shareholder authority to allot such shares at that time and to the aggregate interest of LC and any person deemed to be acting in concert with LC, in the Company remaining below 30 per cent.; and
- Finally, in the event of there being any residual debt, by Ramco repaying such residual debt in cash.

Cash Flow from Operations

As indicated by the Consolidated Statement of Cash Flows on page 32, the Group's net cash flow from continuing operating activities was an outflow of £3.2 million for 2008 and an outflow of £2.7 million for 2007.

Cash Flows from Investing Activities

Net cash used in investing activities was £0.1 million (2007: cash generated £2.3 million).

Proceeds from the sale of shares in Lansdowne in 2008 were £nil (2007: £2.6 million).

In 2008 and 2007 the Group invested approximately £23,000 and £3,000 respectively in tangible fixed assets.

Capital expenditure on oil and gas exploration was £nil during 2008 compared to £127,000 during 2007.

Capital expenditure on renewable energy projects in 2008 was £125,000 (2007: £nil).

Cash sold with subsidiaries in 2008 was £nil (2007: £0.4 million on the deemed disposal of Lansdowne).

Cash Flows from Financing Activities

Total cash inflows from financing activities in 2008 were £2.2 million, compared to an inflow of £0.4 million in 2007.

Proceeds from the issue of new share capital in 2008 were £0.7 million (2007: £0.4 million).

Proceeds from new borrowings were £1.5 million (2007: £nil).

Future Capital Requirements

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

As described under the "Principal risks and uncertainties" section of the Report of the Directors on page 17, the funding of future capital requirements is a significant challenge for the Group.

The oil and gas projects in our associated company, Lansdowne, are the most developed. Lansdowne aims to have a funded drilling programme in place for 2010. The Board are confident that Lansdowne will secure farm-in partners to fund its drilling programme.

The Group has a direct interest in exploration royalties in the UK North Sea and Eastern Europe. Ownership of the royalties requires no capital expenditure. Several of these royalties relate to undeveloped discoveries. Some of the royalties may become saleable assets in the short term or revenue generating in their own right in the medium term. There is no certainty that any of the discoveries will be developed.

The Group's interests in oil services are through our associate MPC which has established a joint venture with a drilling capability which, the Directors believe, would have a material effect on lifting Iraqi oil production. JPMorgan Cazenove Limited is actively engaged in assisting MPC to raise its funding requirements.

Sea Energy is actively pursuing a fundraising process targeting strategic and financial investors. This process is being led by The Royal Bank of Canada.

Market Risks

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

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

Dollar/Sterling Exchange Rates

(Dollar per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
2004	1.92	1.83	1.92	1.77
2005	1.71	1.81	1.92	1.71
2006	1.97	1.83	1.97	1.71
2007	1.99	2.01	2.08	1.96
2008	1.45	1.88	1.99	1.45

Euro/Sterling Exchange Rates

(Euro per Pound Sterling)

	At end of period	Average rate ⁽¹⁾	High	Low
2004	1.41	1.47	1.51	1.41
2005	1.45	1.46	1.48	1.45
2006	1.49	1.46	1.49	1.43
2007	1.36	1.46	1.51	1.36
2008	1.04	1.27	1.36	1.04

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

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

Christopher G Moar
Finance Director and Company Secretary

26 June 2009

Report of the Directors

The Directors submit their report and audited Group financial statements for the year ended 31 December 2008.

Principal Activities and Review of Business

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

The results for the Group show a post-tax loss of £3.4 million (2007: profit of £0.5 million) for the year and turnover of £nil (2007: £nil). As at 31 December 2008, the Group had net funds of £1.1 million (2007: net funds of £2.1 million).

Net cash outflow from operating activities for 2008 was £3.2 million (2007: net cash outflow of £2.7 million). The Directors do not recommend the payment of a dividend (2007: £nil per share).

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

Strategy

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

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

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

Future Outlook

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

Post Balance Sheet Events

(a) SeaEnergy Renewables Limited – Exclusivity Agreements

In February 2009 the Company's marine renewables subsidiary, SeaEnergy Renewables Limited ("SeaEnergy"), together with its co-venturers, entered into Exclusivity Agreements with The Crown Estate in relation to the proposed development of two offshore wind farm sites. Under those agreements SeaEnergy and its co-venturers were awarded preferred bidder status in respect of two proposed wind farm sites offshore Scotland. The Combined SeaEnergy interest in both projects is approximately 456 MW.

The awards are subject to a Strategic Environmental Assessment ("SEA"), currently being pursued by the Scottish Government. The grant of any lease to allow construction of a wind farm will be subject to a favourable SEA outcome, site specific environmental impact assessment and statutory consents.

SeaEnergy expects that a 24 month data gathering period over the sites will be required ahead of planning consents being filed. Moving forward, SeaEnergy and its co-venturers will concentrate on early investigations of the proposed sites, and will engage in extensive stakeholder consultation.

The Company agreed to sell up to a further 8% of the issued shares of SeaEnergy to the SeaEnergy management team. This transaction will be finalised when a valuation has been agreed with Her Majesty's Revenue & Customs. Following this transaction Ramco's stake in SeaEnergy will be reduced to 80%.

(b) Mesopotamia Petroleum Company Limited – Joint Venture

In February 2009 the Company's associate Mesopotamia Petroleum Company Limited ("MPC") signed a joint venture agreement with the Iraqi Drilling Company ("IDC"), the Iraqi state-owned drilling company.

The joint venture, which will be majority Iraqi owned (51% IDC, 49% MPC), will be known as Iraqi Oilfield Services Company MLLC ("IOSCO") and has been created for the purpose of drilling a large number of new wells and thereby significantly increasing oil and gas production in the Republic of Iraq.

IOSCO's main objectives will be to provide integrated drilling operations in Iraq for the state-owned oil companies, together with any international companies which are awarded licences in any forthcoming licensing rounds. The JV will deliver a wide range of oil services. The parties to the joint venture intend to invest a total of US \$400 million to enable IOSCO to purchase and operate 12 new drilling rigs and for provision of logistical support and working capital in order to deliver state-of-the-art performance in its operations. Furthermore, IOSCO is committed to playing a leading role in developing local Iraqi expertise and resources in all aspects of the joint venture, including integrated drilling technology.

MPC has appointed London-based investment bank, JPMorgan Cazenove, as its financial adviser and placement agent in connection with a major equity fund-raising to support MPC's contribution to the joint venture's drilling operations.

(c) Placing of new shares

In April 2009 the Company raised approximately £1.65m before expenses by way of a placing of 3,579,232 new ordinary shares of 10p each at a price of 46p each. The net proceeds of the Placing will be used by the Company to further the development of SeaEnergy Renewables Limited and for general working capital purposes.

(d) Exercise of warrants

In May 2009, following the exercise of 600,000 warrants, the Company allotted and issued 600,000 new ordinary shares of 10p each. In June 2009, following the exercise of a further 2,400,000 warrants, the Company allotted and issued 2,400,000 new ordinary shares of 10p each. The exercise of the warrants, which were granted in August 2005 at a price of 34p per share, resulted in the Company receiving £1.02 million as proceeds of these exercises.

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 accordance with the Company's Articles of Association, S E Remp retires by rotation and being eligible offers himself for re-election. M N Groves Gidney, who was appointed to the Board on 20 August 2008, automatically retires, and being eligible offers himself for re-election.

Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report, included on pages 23 to 25.

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 25)	7,658,978	14.44
LC Capital Master Fund	6,702,380	12.64
FIL Limited	3,579,232	6.75
Ruffer LLP	1,975,212	3.73

Share Capital

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

Creditor Payment Policy

The Group's policy is to ensure settlement of supplier's services in accordance with the terms of the applicable contracts, as detailed in note 1 to the financial statements. The Company's average creditor payment period at 31 December 2008 was 16 days (2007: 19 days).

Financial Instruments

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

Charitable and Political Donations

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

Auditors

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

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

AGM Business

The Annual General Meeting ("AGM") will commence at 11.30am on 29 July 2009 at the Marcliffe at Pitfodels, North Deeside Road, Aberdeen. In addition to the routine business of the AGM, there are four items of other Business detailed in the Notice of Meeting as Resolution numbers 5 to 8.

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. It also permits the issue generally of ordinary shares having a nominal value of up to £1,060,000 (being 20% of the current issued share capital) thereby enabling the Directors to take advantage of fund raising opportunities as they arise. This authority will expire at the next Annual General Meeting of the Company. This authority will expire at the next AGM of the Company.

Resolution 7 is a disapplication of the statutory pre-emption rights contained in the Companies Act 1985 and empowers the Directors to allot ordinary shares in connection with outstanding loans due to Schlumberger Offshore Services Limited and/or LC Capital Master Fund Limited in full or partial payment of the indebtedness, due to each of them, and/or other parties in lieu of repayment of loan amounts as may become due to such other parties. The granting of such authority would provide the Directors with the flexibility to seek to agree the form of any repayment that they feel would be in the best interests of the Company and its members without the need to revert to members for specific authorisation to allot any such shares. This authority will expire at the next AGM of the Company.

Resolution 8 is a special resolution giving the Company limited powers to purchase its own shares for cancellation.

Resolution 9 is a special resolution preserving the Company's right under its articles to hold general meetings (with the exception of annual general meetings) on 14 clear days' notice.



By order of the Board,

C G Moar MA CA

Finance Director and Company Secretary

26 June 2009

Corporate Governance

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

Directors

The Board currently comprises three Executive Directors and three Non-Executive Directors. Biographies of the current Directors are presented on page 8. In the period from 1 January 2008 until 20 August 2008, there were just two Non-Executive Directors, since 20 August 2008 there have been three. Given his long history as an employee and as an Executive Director of the Company, N S Cumming is not considered to be an independent Non-Executive Director.

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

Attendance Record at Meetings	2008 Eligible	2008 Attended	2007 Eligible	2007 Attended
S E Remp	7	7	8	8
S R Bertram	7	7	8	8
N S Cumming	7	7	8	8
C G Moar	7	7	8	8
S G Lampe (appointed 20/9/07)	7	7	2	1
M N Groves Gidney (appointed 20/8/08)	3	3	—	—
M Hay (resigned 14/3/07)	—	—	2	2

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 Committees are currently chaired by N S Cumming. From 1 January 2008 until 20 August 2008 there were two Non-Executive Directors on the Committees. M N Groves Gidney joined both Committees on his appointment on 20 August 2008 and since that date there have been three members on each Committee.

Audit Committee

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

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

The Audit Committee reviews the independence and objectivity of the External Auditors. The Committee reviews the nature and amount of non-audit work undertaken by PricewaterhouseCoopers LLP each year to satisfy itself that there is no effect on their independence. Details of this year's fees are given in note 16 on page 54. 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 23 to 25 and contains a statement of remuneration policy and details of the remuneration of each Director.

Nominations Committee

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

The Committee proposes to the Board suitable candidates for appointment as Directors of the Company, and considers Board succession plans. Directors appointed by the Board in the course of the year must retire and offer themselves for reappointment at the next AGM. Names of Directors submitting themselves for reappointment at the next AGM are shown on page 18 and in the Notice of Annual General Meeting on page 66.

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, Mesopotamia Petroleum and SeaEnergy can be found at www.lansdowneoilandgas.com, www.mesopotamiapetroleum.com and www.seaenergyrenewables.com.

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

Directors' Responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently. The Directors also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2008 and that applicable accounting standards have been followed.

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

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

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

Going Concern

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

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

Remuneration Report

Introduction

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

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

Unaudited Information

Remuneration Committee

From 1 January 2008 until 20 August 2008 the Committee comprised N S Cumming and S G Lampe. On 20 August 2008, M N Groves Gidney joined the Committee. N S Cumming is chairman of the Committee.

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

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

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

Remuneration Policy

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

Directors' Service Contracts

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

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

Remuneration Package

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

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

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

During 2008 the Executive Directors voluntarily agreed to defer contractual bonus payments totalling £47,000 (note 28).

Audited Information

Directors' Detailed Emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate emoluments £'000	2008 Pension contributions £'000	2007 Pension contributions £'000	2008 Total £'000	2007 Total £'000
Executive Directors								
S E Remp ⁽¹⁾	298	—	9	307	45	66	352	451
S R Bertram	160	—	1	161	24	27	185	221
C G Moar	122	—	1	123	19	19	142	150
Non-Executive Directors								
N S Cumming ⁽²⁾	25	—	—	25	—	—	25	25
S G Lampe ⁽³⁾	25	—	—	25	—	—	25	7
M N Groves Gidney ⁽⁴⁾	9	—	—	9	—	—	9	—
M Hay ⁽⁵⁾	—	—	—	—	—	—	—	5
2008	639	—	11	650	88		738	
2007	692	47	8	747		112		859

Details of transactions with related parties are given in note 28.

⁽¹⁾ All pension contributions for year were deferred by S E Remp and remained unpaid at 31 December 2008.

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

⁽³⁾ All fees paid to S G Lampe flow to Lampe Conway & Co. LLC. S G Lampe is managing member of Lampe, Conway & Co LLC.

⁽⁴⁾ Appointed 20 August 2008.

⁽⁵⁾ Resigned 14 March 2007.

Interests In Share Options

	Exercise price	At 31 Dec 2007	Granted	Cancelled/ lapsed	At 31 Dec 2008	Normal exercise dates
S E Remp	675p	132,500	–	(132,500)	–	30/4/01 – 29/4/08
	34p	300,000	–	–	300,000	30/7/08 – 29/7/15
S R Bertram	675p	38,000	–	(38,000)	–	05/5/01 – 04/5/08
	347.5p	35,340	–	(35,340)	–	11/5/06 – 10/5/11
	34p	150,000	–	–	150,000	30/7/08 – 29/7/15
N S Cumming	675p	13,500	–	(13,500)	–	05/5/01 – 04/5/08
	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	675p	5,000	–	(5,000)	–	30/4/01 – 29/4/08
	347.5p	28,500	–	(28,500)	–	11/5/06 – 10/5/11
	34p	60,000	–	–	60,000	30/7/08 – 29/7/15
		863,335	–	(283,335)	580,000	

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 18 to the accounts. During 2008 the share price ranged between a high of 79.25p and a low of 19.0p. The quarterly highest and lowest closing share prices are detailed in note 14.

Interests In Shares

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

	At 31 Dec 2007	At 31 Dec 2008 or * date of appointment	At 26 June 2009
S E Remp ⁽ⁱ⁾	5,487,668	5,436,668	5,436,668
S R Bertram	590,600	590,600	590,600
C G Moar	52,616	52,616	52,616
N S Cumming	327,000	327,000	327,000
M N Groves Gidney	–	1,252,094*	1,252,094
S G Lampe	–	–	–
	6,457,884	7,658,978	7,658,978

⁽ⁱ⁾ Movement due to dependant attaining age of 18 years and no longer being included in S E Remp's interests.

S G Lampe has a non-beneficial interest in 6,702,380 shares in Ramco by LC Capital Master Fund Limited ("LC"). S G Lampe is managing member of Lampe, Conway & Co LLC, the investment manager of LC.

Pensions

Directors' pensions are based on salary only, with bonuses and other discretionary benefits excluded. Retirement benefits were accruing to the three Executive Directors (2007: three Directors) under the Group's defined contribution schemes.

The Chairman is a member of a non-contributory scheme where from 1 July 2007, Company contributions are at a rate of 15% (2007: 15.0%) 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 2009

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 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited, at the request of the directors, the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's loss and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - Going Concern

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

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



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Aberdeen

26 June 2009

Consolidated and Company Balance Sheets

As at 31 December 2008

	Note	2008 £'000	Group 2007 £'000	2008 £'000	Company 2007 £'000
Assets					
Non-current assets					
Goodwill and other intangible assets	4	2,404	39	39	–
Property, plant and equipment	5	159	162	141	162
Investments	6	2,701	2,980	1,759	–
		5,264	3,181	1,939	162
Current assets					
Trade and other receivables	7	626	328	590	323
Cash and cash equivalents	8	1,051	2,068	591	2,052
		1,677	2,396	1,181	2,375
Total assets		6,941	5,577	3,120	2,537
Liabilities					
Current liabilities					
Trade and other payables	9	(2,016)	(1,788)	(1,870)	(1,794)
Loans and borrowings	9	(1,500)	–	(1,500)	–
Provisions	10	(2)	(1)	(2)	(1)
		(3,518)	(1,789)	(3,372)	(1,795)
Net current (liabilities)/assets		(1,841)	607	(2,191)	580
Non-current liabilities					
Deferred income tax liabilities	12	(489)	–	–	–
Other non-current liabilities	11	(26)	(30)	(26)	(30)
Net assets/(liabilities)		2,908	3,758	(278)	712
Shareholders' equity					
Ordinary shares	14	4,611	3,689	4,611	3,689
Share premium	14	71,196	69,633	71,196	69,633
Deficit on retained earnings	15	(72,778)	(69,564)	(76,085)	(72,610)
Total equity attributable to equity holders of the parent		3,029	3,758	(278)	712
Minority interest in equity		(121)	–	–	–
Total equity		2,908	3,758	(278)	712

The notes on pages 33 to 63 form part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2009.

S E Remp
Executive Chairman

C G Moar
Finance Director

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Continuing operations			
Cost of sales		–	(21)
Write-off of intangible exploration assets	4	–	(937)
Gross loss		–	(958)
Operating expenses		(3,013)	(2,301)
Gain on sale of shares in subsidiary	22	–	1,568
Gain on deemed disposal of subsidiary arising from dilution	22	–	2,272
Operating (loss)/profit	16	(3,013)	581
Finance income	19	72	105
Finance costs	19	(18)	(7)
Finance income – net		54	98
Share of loss of associates		(328)	(77)
(Loss)/profit before income tax		(3,287)	602
Income tax expense		–	–
(Loss)/profit from continuing operations		(3,287)	602
Discontinued operation			
Loss from discontinued operation (net of tax)	21	(75)	(81)
(Loss)/profit for year		(3,362)	521
Attributable to:			
Equity holders of the group	15	(3,240)	720
Minority interests		(122)	(199)
(Loss)/profit for year		(3,362)	521
(Loss)/earnings per share	3		
Basic		(8.17)p	2.05p
Diluted		(8.17)p	1.95p
Continuing operations			
(Loss)/earnings per share			
Basic		(7.99)p	2.28p
Diluted		(7.99)p	2.17p

The notes on pages 33 to 63 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

Group	Attributable to equity holders of the parent company					Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000	Minority interest £'000	
Year ended 31 December 2007						
At 1 January 2007	3,502	69,405	(70,945)	1,962	344	2,306
Profit/(loss) for the financial year	–	–	720	720	(199)	521
Share based payments charge	–	–	82	82	5	87
Issues of new shares – gross consideration	187	228	–	415	–	415
Disposal to minority interest	–	–	579	579	426	1,005
Deemed disposal of subsidiary	–	–	–	–	(576)	(576)
At 31 December 2007	3,689	69,633	(69,564)	3,758	–	3,758
Year ended 31 December 2008						
At 1 January 2008	3,689	69,633	(69,564)	3,758	–	3,758
Loss for the financial year	–	–	(3,240)	(3,240)	(122)	(3,362)
Share based payments charge	–	–	26	26	–	26
Issues of new shares – gross consideration	922	1,549	–	2,471	–	2,471
Cost of issues recovered	–	14	–	14	–	14
Minority interest share subscription	–	–	–	–	1	1
At 31 December 2008	4,611	71,196	(72,778)	3,029	(121)	2,908

The notes on pages 33 to 63 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2008

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Year ended 31 December 2007				
At 1 January 2007	3,502	69,405	(73,996)	(1,089)
Profit for the financial year	–	–	714	714
Share based payments charge	–	–	94	94
Issues of new shares – gross consideration	187	228	–	415
Disposal to minority interest	–	–	578	578
At 31 December 2007	3,689	69,633	(72,610)	712
Year ended 31 December 2008				
At 1 January 2008	3,689	69,633	(72,610)	712
Loss for the financial year	–	–	(3,501)	(3,501)
Share based payments charge	–	–	26	26
Issues of new shares – gross consideration	922	1,549	–	2,471
Costs of issues recovered	–	14	–	14
At 31 December 2008	4,611	71,196	(76,085)	(278)

The notes on pages 33 to 63 form part of these financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 31 December 2008

	Note	Group		Company	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Continuing operations	23	(3,170)	(2,670)	(3,794)	554
Interest paid	19	(2)	(4)	(2)	(4)
Net cash (used in)/generated by operating activities		(3,172)	(2,674)	(3,796)	550
Cash flows from investing activities					
Interest received		118	71	115	42
Proceeds from sale of property, plant and equipment		—	102	—	—
Proceeds from sale of shares in subsidiary	22	—	2,612	—	—
Acquisition of shares in associate		(49)	—	—	—
Acquisition of shares in subsidiary		—	—	(9)	—
Acquisition of intangible assets		(125)	(127)	—	—
Acquisition of property, plant and equipment		(23)	(3)	(2)	(2)
Deemed disposal of subsidiary		—	(352)	—	—
Net cash (used in)/generated by investing activities		(79)	2,303	104	40
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		735	415	735	415
Issue of share capital in subsidiary to minority interests		1	—	—	—
Payment of finance lease liabilities		(4)	(4)	(4)	(4)
Proceeds from borrowings		1,500	—	1,500	—
Net cash generated by financing activities		2,232	411	2,231	411
Effect of exchange rate fluctuations on cash held		2	1	—	(2)
Net (decrease)/increase in cash and cash equivalents		(1,017)	41	(1,461)	999
Opening cash and cash equivalents		2,068	2,027	2,052	1,053
Closing cash and cash equivalents	8	1,051	2,068	591	2,052

The notes on pages 33 to 63 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. Presentation of Accounts and Accounting Policies

General information

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

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

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

Basis of presentation

Going concern

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

The Group balance sheet as at 31 December 2008 shows net current liabilities of £1.8 million. However, the Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements for the following reasons:

- Included in net current liabilities is £1.2 million relating to a debt deferral agreement under which the lender has irrevocably waived the right to receive cash settlement in return for an option to settle the debt in shares of the Company.
- Included in net current liabilities is a loan from a significant shareholder of £1.5 million. Various repayment mechanisms are in place to repay the debt including conversion into an equity interest in potential new opportunities currently being pursued by the Group and by subscription for new ordinary shares in the Company.
- Since the year end the Company has raised £2.7 million through the issue of new shares in a placing and through the exercise of warrants.

The Group has accumulated, and continues to develop, a portfolio of energy interests which will either be developed in the medium term into revenue generating businesses or realised for cash if necessary.

The Group has already secured finance for its marine renewable energy subsidiary, SeaEnergy Renewables Limited (“SeaEnergy”), enabling it to employ a team with unique offshore experience. Since the balance sheet date Exclusivity Agreements have been entered into with the Crown Estate in relation to the proposed development of two offshore wind farm sites, subject to a Strategic Environmental Assessment by the Scottish Government. In both agreements SeaEnergy is partnered by major utilities. Royal Bank of Canada Europe Limited has been appointed as financial advisers. Additional finance is now being vigorously pursued with potential strategic and financial investors.

The Group’s associate, Mesopotamia Petroleum Company (“MPC”), has signed a joint venture agreement with the Government of Iraq since the balance sheet date. The Directors believe the joint venture will have a material effect on lifting Iraqi oil production. JPMorgan Cazenove Limited has been engaged to assist MPC in raising a substantial share of future funding requirements.

1. Presentation of Accounts and Accounting Policies *continued*

The Group's portfolio of interests also includes a direct interest in exploration royalties in the UK North Sea. Two of these royalties relate to undeveloped discoveries. Some of the royalties may become saleable assets in the short term or revenue generating in their own right in the medium term. Additionally the Group holds a royalty over acreage onshore Bulgaria where a gas discovery is being developed by the operator.

The Directors have prepared cash flow forecasts for the Group. These indicate that the Group will have adequate cash resources to meet its obligations, as they fall due for at least twelve months from the date of approval of these financial statements. However, there remains uncertainty as to whether the Group can be considered a going concern in that the Group currently has no immediate revenue streams.

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.

Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union ("EU") and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Change in accounting policies

- Amendments to published standards are interpretations effective in 2008.
 - IFRIC 11, 'Group and treasury Share-based payments'.
- Standards, amendments and interpretations effective in 2008 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the company's operations:

- IFRIC 12, 'Service concession arrangements';
- IFRIC 13, 'Customer Loyalty programmes';
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction';
- Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' – This amendment will not have any impact on the financial statements;
- IAS 1, 'Presentation of financial statements' – Management is assessing the affects of the revised disclosure requirements of this standard; although no material impact on the financial statements is anticipated;
- IAS 27, 'Consolidated and separate financial statements' – This standard is still subject to endorsement by the EU. There is no anticipated impact on the Group financial statements of this amendment.
- IFRS 2, 'Amendment vesting conditions/cancellations'.

1. Presentation of Accounts and Accounting Policies *continued*

- Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Company's operations.

The interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but they are not relevant for the Company's operations:

- IFRS 8, 'Operating segments';
- Amendment to IFRS 1*, 'First time adoption of IFRS' and IAS 27*, 'Consolidated and separate financial statements'
- IAS 32, 'Amendment puttable financial instruments';
- IFRS 3*, 'Business combinations'.

* Not yet endorsed by the EU.

Basis of accounting

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

Basis of consolidation

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

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

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

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

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

1 Presentation of Accounts and Accounting Policies *continued*

Joint ventures

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

Oil and gas intangible exploration/appraisal assets and development/producing assets

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

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

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

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

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

1. Presentation of Accounts and Accounting Policies *continued*

Upon commencement of production, capitalised costs are amortised on a unit of production basis that is calculated to write off the expected cost of each asset over its life in line with the depletion of proved and probable reserves. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. These cash-generating units ("CGUs") are aligned to the business unit and sub-business unit structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

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

A similar approach has been adopted for the Company's nascent renewable assets.

Royalty agreements

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

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

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

Property, plant and equipment – other

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

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

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

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

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

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

1. Presentation of Accounts and Accounting Policies *continued*

Impairment of assets

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Investments

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

Value in use is based on the discounted future net cash flows of the investee.

Leases

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

Cash and cash equivalents

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

Equity

Ramco Energy plc has one class of ordinary shares and these are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Taxation

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

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

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

Defined contribution pension schemes

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

1. Presentation of Accounts and Accounting Policies *continued*

Share based payments

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

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

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

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

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

Foreign currency

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

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

1. Presentation of Accounts and Accounting Policies *continued*

Creditor payment policy

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

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

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

Financial instruments and risk management

The Group's current and anticipated operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates and commodity prices. The Board approves the use of financial products to manage the Group's exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Further details of the Group's accounting policy for financial instruments and risk management are given in note 13.

Significant estimations and key assumptions

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

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

2. Segmental Reporting

The Group has two primary business segments being Oil & Gas and Renewable Energy. Discontinued operations are discussed in note 21. The Group operates in only one geographical segment, Europe.

Group	Oil & gas £'000	Renewable energy £'000	Corporate unallocated expenses and gains £'000	Group £'000
2008				
Revenue	—	—	—	—
Operating loss	(723)	(970)	(1,320)	(3,013)
Share of associates	(328)			(328)
Finance income net				54
Operating loss from discontinued operations				(75)
Loss for the year				<u>(3,362)</u>
2007				
Revenue	—	—	—	—
Operating profit/(loss)	2,912	(116)	(2,215)	581
Share of associates	(77)	—	—	(77)
Finance income net				98
Operating loss from discontinued operations				(81)
Profit for the year				<u>521</u>

Discontinued operations relate to a gas field which was sold in February 2006.

2. Segmental Reporting *continued*

Group	Oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated £'000	Group £'000
2008						
Segment assets	3,200	623	3,823	–	3,118	6,941
Segment liabilities	(538)	(181)	(719)	(1,220)	(2,094)	(4,033)
2007						
Segment assets	3,040	–	3,040	–	2,537	5,577
Segment liabilities	(34)	(2)	(36)	(1,145)	(638)	(1,819)

Group	Oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated £'000	Group £'000
2008						
Capital Expenditure						
P,P&E	–	21	21	–	2	23
Intangibles	2,239	126	2,365	–	–	2,365
Non cash expenses						
Depreciation	–	2	2	–	8	10

Group	Oil & gas £'000	Renewable energy £'000	Total continuing operations £'000	Discontinued operations £'000	Corporate unallocated £'000	Group £'000
2007						
Capital Expenditure						
P,P&E	–	–	–	–	2	2
Intangibles	127	–	127	–	–	127
Non cash expenses						
Depreciation	–	–	–	–	21	21
Gain on sale of shares in subsidiary	1,568	–	1,568	–	–	1,568
Gain on deemed disposal of subsidiary	2,272	–	2,272	–	–	2,272

3. (Loss)/Earnings per Ordinary Share

(Loss)/earnings per share attributable to equity holders of the Company arise from continuing and discontinued operations as follows:

	(pence per share)	
	2008	2007
(Loss)/earnings per share attributable to equity holders of the Company arise from continuing as follows:		
– basic	(7.99)	2.28
– diluted	(7.99)	2.17
Loss per share for loss from discontinued operation attributable to the equity holders of the Company		
– basic	(0.18)	(0.23)
– diluted	(0.18)	(0.22)
(Loss)/earnings per share for profit/(loss) from continuing and discontinued operations attributable to the equity holders of the Company		
– basic	(8.17)	2.05
– diluted	(8.17)	1.95

The calculations were based on the following information.

	£'000	£'000
(Loss)/earnings attributable to equity holders of the Company		
– continuing operations	(3,165)	801
– discontinued operation	(75)	(81)
– continuing and discontinued operations	(3,240)	720

Weighted average number of shares in issue

– basic	39,637,929	35,176,637
– diluted	39,637,929	36,843,304

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has three classes of potential ordinary shares; share options, warrants and the Schlumberger debt deferral agreement (note 13 – Interest rate risk). As a loss was recorded for the current year the issue of potential ordinary shares would have been anti-dilutive in 2008. As explained below, only certain warrants were dilutive for the previous year.

Share options

Only share options that are exercisable at the reporting date are potential ordinary shares. The lowest exercise price of exercisable share options is 34p per share (note 18). This is above the average market price of the shares in issue for 2007. On that basis none of the share options were considered dilutive in that year.

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 2007 and so the warrants were not dilutive in that year.

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

Debt deferral agreement

Based on the number of shares required to settle the debt and the interest expense accrued in 2007, the debt deferral agreement with Schlumberger was anti-dilutive.

4. Goodwill and Other Intangible Assets

	Other		Goodwill		Total	
	Group £'000	Company £'000	Group £'000	Company £'000	Group £'000	Company £'000
Year ended 31 December 2007						
Opening net book amount at 1 January 2007	1,849	–	–	–	1,849	–
Additions	127	–	–	–	127	–
Deemed disposal	(1,000)	–	–	–	(1,000)	–
Costs written off	(937)	–	–	–	(937)	–
Closing net book amount at 31 December 2007	39	–	–	–	39	–
Year ended 31 December 2008						
Opening net book amount at 1 January 2008	39	–	–	–	39	–
Additions	126	–	–	–	126	–
Acquisition of subsidiary (note 29)	1,750	–	489	–	2,239	–
Intra group transfer	–	39	–	–	–	39
Closing net book amount at 31 December 2008	1,915	39	489	–	2,404	39

Other intangible assets

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 2008, such intangible fixed assets totalled £1,789,000 (31 December 2007: £39,000).

Renewable energy project expenditures have been capitalised as intangible assets, where the Group's marine renewables subsidiary has entered into Exclusivity Agreements with The Crown Estate in relation to proposed offshore wind farm sites. At 31 December 2008, such intangible fixed assets totalled £126,000 (31 December 2007: £nil).

5. Property, Plant and Equipment

Group	Land and buildings long- leasehold £'000	Plant, fixtures and equipment £'000	Total £'000
Cost			
At 1 January 2007	1,113	476	1,589
Additions	–	2	2
Disposals	(1,113)	–	(1,113)
At 31 December 2007	–	478	478
Accumulated depreciation			
At 1 January 2007	1,093	294	1,387
Charge for the year	–	22	22
Disposals	(1,093)	–	(1,093)
At 31 December 2007	–	316	316
Net book amount			
At 31 December 2007	–	162	162
Cost			
At 1 January 2008	–	478	478
Additions	–	23	23
At 31 December 2008	–	501	501
Accumulated depreciation			
At 1 January 2008	–	316	316
Charge for the year	–	26	26
At 31 December 2008	–	342	342
Net book amount			
At 31 December 2008	–	159	159

5. Property, Plant and Equipment *continued*

Company	Plant, fixtures and equipment £'000
Cost	
At 1 January 2007	464
Additions	2
At 31 December 2007	466
Accumulated depreciation	
At 1 January 2007	283
Charge for the year	21
At 31 December 2007	304
Net book amount	
At 31 December 2007	162
Cost	
At 1 January 2008	466
Additions	2
At 31 December 2008	468
Accumulated depreciation	
At 1 January 2008	304
Charge for the year	23
At 31 December 2008	327
Net book amount	
At 31 December 2008	141

6. Investments

Company	£'000
Investments in subsidiary undertakings	
Cost at 1 January 2007 and 31 December 2007	5,000
Provision at 1 January 2007 and 31 December 2007	(5,000)
At 1 January 2007 and 31 December 2007	–
Cost at 1 January 2008	5,000
Additions	1,759
Provision at 1 January 2008 and 31 December 2008	(5,000)
At 1 January 2008 and 31 December 2008	1,759

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

Group	£'000
Investment in associates	
At 1 January 2007	–
Arising on deemed disposal of subsidiary (note 22(b))	2,950
Additions	107
Share of loss for year	(77)
At 31 December 2007	2,980
At 1 January 2008	2,980
Additions	49
Gain on dilution	183
Impairment	(49)
Exchange movement	42
Share of loss for year	(504)
At 31 December 2008	2,701

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

Name	Country of incorporation	Status	Assets	Liabilities	Revenues	Loss	% interest held in ordinary shares by Group
2008							
Lansdowne Oil & Gas plc	England	AIM listed	3,821	(1,130)	–	(422)	38.9%*
Mesopotamia Petroleum Company Limited	England	Private	25	(15)	–	(82)	32.67%
			3,846	(1,145)	–	(504)	

* Following an issue of new shares by Lansdowne Oil & Gas plc in February 2009, the Group's interest reduced to 36.26%.

7. Trade and Other Receivables

	Group		Company	
	2008	2007	2008	2007
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Amounts owed by associates (note 28(c))	171	131	171	131
Value added tax and other taxes	46	40	45	38
Other receivables	64	97	54	96
Prepayments	345	60	320	58
	626	328	590	323

None of the receivable balances contain impaired assets.

8. Cash and Cash Equivalents

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Cash at bank and on hand	1,046	50	586	33
Short-term bank deposits	5	2,018	5	2,019
	1,051	2,068	591	2,052

9. Trade and Other Payables, Loans and Borrowings

(a) Trade and Other Payables

	Group		Company	
	2008	2007	2008	2007
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Trade payables	259	78	186	77
Amounts owed to subsidiary undertakings	–	–	82	42
Other taxes and social security	76	341	45	341
Accruals	407	212	283	177
Amounts due under finance leases	4	4	4	4
Other payables*	1,270	1,153	1,270	1,153
	2,016	1,788	1,870	1,794

*Other payables includes an amount of £1.2 million (2007: £1.1 million) due to Schlumberger Offshore Services Limited (note 13 – Interest rate risk).

(b) Loans and Borrowings

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Loan from shareholder	1,500	–	1,500	–

In April 2008 the Company secured a borrowing facility in aggregate amount of £2 million (the “Facility”), to provide additional working capital. During the year the Company drew down £1.5 million against this facility.

The Facility has been made available by LC Capital Master Fund, Ltd (“LC”) a shareholder of the Company.

The first draw down was made on 24 July 2008 and repayment was initially due six months thereafter in January 2009. With the consent of the lender this has been extended until 24 July 2009. Interest is payable at 4 per cent per annum. Various repayment mechanisms are in place to repay the debt. In certain circumstances the loan may be repaid in full, prior to its scheduled maturity at the option of LC, through its conversion into an equity interest in potential new opportunities currently being pursued by Ramco. If the conversion is effected at the same time as other third parties invest it would be on the same terms as such other third parties invest. In all other circumstances, Ramco’s liability under the Facility shall be repaid on the repayment date as follows:

- First, by Ramco repaying any unused amount of the Facility drawn down by it prior to that date;

(b) Loans and Borrowings *continued*

- Secondly, to the extent that there remains any debt outstanding, by LC electing for such debt to be discharged by way of the subscription by it for new ordinary shares in Ramco at a price equal to the average closing mid-market price over the 10 dealing days immediately prior to such subscription, subject to there being in place sufficient Ramco shareholder authority to allot such shares at that time and to the aggregate interest of LC and any person deemed to be acting in concert with LC, in the Company remaining below 30 per cent; and
- Finally, in the event of there being any residual debt, by Ramco repaying such residual debt in cash.

10. Provisions for Liabilities and Charges

Group and Company	Dilapidation provision £'000
At 1 January 2007	25
Provided in the year	1
Released to the profit and loss account	(25)
At 31 December 2007	1
At 1 January 2008	1
Provided in the year	1
At 31 December 2008	2

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

11. Other Non-Current Liabilities

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank loans	55,642	55,642	–	–
Less: bank loans impairment	(55,642)	(55,642)	–	–
Finance lease	26	30	26	30
	26	30	26	30

The bank loans relate to a £60 million senior and a £8.6 million mezzanine project finance facility arranged for a gas field development. 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 were exercised in full during May and June 2009.

The table below describes the loan balances.

		2008 £'000	2007 £'000
Bank loans	Main and mezzanine	37,887	37,887
	Unpaid gas price hedge	13,199	13,199
	Unpaid interest on loan	4,556	4,556
		55,642	55,642
Less	Impairment borne by finance provider	(55,642)	(55,642)
		–	–

The remaining amount due of £55.6 million was not formally written off by the bank as at 31 December 2008. However, under the terms of the agreement for the sale of RCSL to Marathon International Petroleum Hibernia Limited, all sums due to them have been retired.

12. Deferred Taxation

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

The movement on the deferred tax provision is shown below:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 January	–	–	–	–
Arising on business combination (note 29)	489	–	–	–
Provision at 31 December	489	–	–	–

The unprovided asset for deferred taxation is as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Capital allowances in advance of depreciation	(307)	(313)	(97)	(94)
Unrelieved losses	(5,725)	(5,506)	(1,800)	(1,364)
Unrelieved capital losses	(935)	(936)	–	–
	(6,967)	(6,755)	(1,897)	(1,458)

13. Financial Risk Management

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

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

Credit risk

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

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

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

Commodity price risk

The Group currently has no oil or gas production and is not generating electricity. Future requirements for hedges against fluctuations in oil or gas prices and electricity will be reviewed by the Board on a project by project basis.

13. Financial Risk Management *continued*

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 development prospects.

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

Interest rate risk

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

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

2008						
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
Cash on deposit	4.29%	1,042	1,042	—	—	—
Debt deferral instrument	8.36%	(1,220)	(1,220)	—	—	—
Finance lease liability	6.70%	(30)	(4)	(4)	(12)	(10)
		(208)	(182)	(4)	(12)	(10)
2007						
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
Cash on deposit	5.73%	2,018	2,018	—	—	—
Debt deferral instrument	8.96%	(1,145)	(1,145)	—	—	—
Finance lease liability	7.50%	(34)	(4)	(4)	(12)	(14)
		839	869	(4)	(12)	(14)

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 a 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 waived the right to a cash settlement in return for an option to settle the debt in the shares of the Company. The number of shares required to settle the debt is based on the outstanding debt divided by the mid market price of the shares on the day the option is exercised. The outstanding debt bears variable-rate interest at 3 per cent above LIBOR. The timing of the share issue is at the discretion of Schlumberger and the Group is required to engage the services of its brokers to place the shares as soon as is practical after the issue. Although the settlement of this debt deferral instrument will result in no outflow of resources from the Group, the fact that the number of shares required to settle the debt is variable means that the instrument is classified as a current financial liability and not an equity instrument.

13. Financial Risk Management *continued*

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

If average interest rates had increased by 10 per cent with all other variables held constant, post tax loss for the year would have been £7,000 lower.

If average interest rates had decreased by 10 per cent with all other variables held constant, post tax loss for the year would have been £6,000 higher.

The loan facility made available by LC Capital Master Fund Ltd attracts fixed rate interest at 4 per cent per annum (note 9).

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

Foreign currency risk

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

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

At 31 December 2008, currency exposures are as follows:

Functional currency of group operation	Net foreign currency monetary assets			
	Euro £'000	US Dollars £'000	Other £'000	Total £'000
Sterling	12	–	–	12

Foreign exchange gains totalling £2,000 (2007 losses: £5,000) have been recognised in the profit and loss account for the year.

At 31 December 2007, currency exposures are as follows:

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

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 2008. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	2008		2007	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Cash	1,051	1,051	2,068	2,068
Other non-derivative financial liabilities	(792)	(792)	(637)	(637)
Other non-derivative financial assets	626	626	328	328
	885	885	1,759	1,759

13. Financial Risk Management *continued*

Cash

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

Other non-derivative financial liabilities

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

14. Share Capital and Premium

Date		Number of shares (thousands)	Ordinary Shares £'000	Share Premium £'000	Total £'000
At 1 January 2007		35,018	3,502	69,405	72,907
30 November 2007	Issue of new shares	1,870	187	228	415
At 31 December 2007		36,888	3,689	69,633	73,322
14 May 2008	Issue of new shares	943	94	156	250
24 June 2008	Issue of new shares	1,317	132	368	500
14 July 2008	Issue of new shares	1,961	196	839	1,035
20 November 2008	Exercise of warrants	5,000	500	200	700
At 31 December 2008		46,109	4,611	71,196	75,807

The total authorised number of ordinary shares is 70 million shares (2007: 70 million shares) with a par value of 10 pence per share. All issued shares are fully paid.

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

The Company allotted and issued the following new ordinary shares of 10p each as consideration for the acquisition of Eagle HC Limited (note 29):

Date	Shares	Price	
14 May 2008	943,396	26.5 pence	Initial consideration
24 June 2008	1,317,292	37.96 pence	Deferred consideration
14 July 2008	1,912,960	52.275 pence	Initial consideration (balance)

On 14 July 2008 the Company allotted and issued a further 47,816 new ordinary shares of 10p each at a price of 43.5 pence per ordinary share in settlement of consultancy invoices, for which no cash was received.

On 20 November 2008 the Company allotted and issued 5,000,000 new ordinary shares of 10p each. The shares were issued following the exercise of warrants by LC Capital Master Fund Limited at a price of 14 pence per ordinary share.

On 2 February 2009 the Company allotted and issued 330,768 new ordinary shares of 10p each to Exploration Geosciences Limited ("EGL"), in settlement of a bonus entitlement in the year ended 31 December 2008.

In May 2009, following the exercise of 600,000 warrants, the Company allotted and issued 600,000 new ordinary shares of 10p each. In June 2009, following the exercise of a further 2,400,000 warrants, the Company allotted and issued 2,400,000 new ordinary shares of 10p each. The exercise of the warrants, which were granted in August 2005 at a price of 34p per share, resulted in the Company receiving £1.02 million as proceeds of these exercises.

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.

14. Share Capital and Premium *continued*

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.

	2008		2007	
	Pence per share		Pence per share	
	High	Low	High	Low
First quarter	24.0	19.0	20.5	16.0
Second quarter	79.3	19.0	26.0	16.5
Third quarter	62.0	35.5	21.0	16.3
Fourth quarter	48.5	27.0	21.0	15.5

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly.

15. Retained Earnings

	Group £'000	Company £'000
Year ended 31 December 2007		
At 1 January 2007	(70,945)	(73,996)
Profit for the financial year	720	714
Share based payments charge (note 18)	82	94
Disposal to minority interest	579	578
At 31 December 2007	(69,564)	(72,610)
Year ended 31 December 2008		
At 1 January 2008	(69,564)	(72,610)
Loss for the financial year	(3,240)	(3,501)
Share based payments charge (note 18)	26	26
At 31 December 2008	(72,778)	(76,085)

16. Group Operating (Loss)/Profit

	2008 £'000	2007 £'000
This is stated after charging/ (crediting):		
Depreciation of tangible fixed assets	26	22
Operating lease rentals – land and buildings	60	37
Gain on disposal of tangible fixed assets	–	(80)
Foreign exchange (gain)/loss	(31)	5

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

	2008 £'000	2007 £'000
Audit services:		
– fees payable to Company auditor for the audit of parent Company and consolidated accounts	50	93
Non-audit services:		
– fees payable to the Company's auditor for the audit of Company's subsidiaries pursuant to legislation	28	54
– compliance tax services	40	35
– advisory tax services	40	35
	158	217

17. Employees and Directors

	2008 Number	2007 Number
The average number of employees, including Executive Directors, during the year:		
Oil and gas	2	3
Renewables	3	–
Head office and management	5	6
	10	9
Staff costs during the year amounted to:	£'000	£'000
Wages and salaries	1,181	1,207
Social security costs	146	111
Pension costs (note 24)	162	144
	1,489	1,462

Remuneration of the Directors is discussed within the Remuneration Report on pages 23 to 25.

18. Share Based Payments

(a) Share based payments of the Company

The Company has granted options under a number of Employee Share Option Schemes. Before any of the share options granted under these schemes can be exercised the Group must first have achieved certain performance targets, as detailed below. All options are to be settled by physical delivery of shares. As at 31 December 2008 the following options were outstanding:

Option price	2008	2007	Exercisable at 31 Dec 2008	Remaining contractual life	Normal exercise dates	Target variable	Target
675p	–	148,500	–	–	30/4/01 – 29/4/08	EPS	>RPI
675p	–	51,500	–	–	5/5/01 – 4/5/08	EPS	>RPI
395p	8,000	8,000	–	0.5 years	17/7/02 – 16/7/09	TSR	>RPI+5%
395p	32,500	32,500	–	0.5 years	17/7/04 – 16/7/09	TSR	>RPI+10%
347.5p	–	172,425	–	–	11/5/06 – 10/5/11	TSR	(1)
335p	3,200	3,200	–	3.4 years	5/6/07 – 4/6/12	TSR	(1)
350p	–	16,920	–	–	14/10/06 – 13/10/13	TSR	(2)
350p	30,080	30,080	–	4.8 years	14/10/08 – 13/10/13	TSR	(1)
34p	735,000	745,000	735,000	6.6 years	30/7/08 – 29/7/15	TSR	(2)
	808,780	1,208,125	735,000				

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

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

EPS Earnings per share.

TSR Total Shareholder Return.

RPI Retail Price Index.

Details of the Directors' options which are included in the above figures are shown in the Remuneration Report on pages 23 to 25.

18. Share Based Payments *continued*

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

	2008		2007	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding at 1 January	1,208,125	210p	1,239,425	210p
Options granted	–	–	–	–
Options cancelled or expired	(399,345)	504p	(31,300)	193p
Options outstanding at 31 December	808,780	65p	1,208,125	210p
Options available for grant 31 December	1,233,278	–	361,634	–
Options exercisable at 31 December	735,000	34p	200,000	675p

The options outstanding at 31 December 2008 have an exercise price range of 34p to 395p and a weighted average contractual life of 4.6 years.

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

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

Grant date	29/7/2005	13/10/2003	13/10/2003
Performance target	(2)	(2)	(1)
Number of options granted	820,000	33,480	59,520
Fair value at grant date	343p	155p	140p
Share price at grant date	30p	350p	350p
Exercise price	34p	350p	350p
Expected volatility	115%	37%	37%
Expected option life	7 years	7 years	8 years
Risk-free interest rate (based on government bonds)	4.3%	4.8%	4.8%
Expected dividend yield	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.

	2008 £'000	2007 £'000
(Credit)/expense for share options granted in 2003	(20)	8
Expense for share options granted in 2005	46	86
Total expense recognised as employee costs in the period	26	94

19. Finance Income and Costs

Finance income	2008 £'000	2007 £'000
Bank Interest	70	100
Other	2	5
Finance income	72	105

Finance costs	2008 £'000	2007 £'000
Loan interest	(16)	–
Other	(2)	(7)
Finance costs	(18)	(7)

20. Income Tax Expense

The total tax charge for the year is £nil (2007: £nil).

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (28.5%) (2007: 30%). The differences are explained below:

Factors affecting tax charge for period	2008 £'000	2007 £'000
(Loss)/profit before income tax	(3,362)	521
(Loss)/profit before income tax multiplied by standard rate of tax 28.5% (2007: 30%)	(958)	156
Effects of:		
Expenses not deductible for tax purposes	508	(1,077)
Capital allowances in excess of depreciation/other timing differences	450	921
Total current tax	–	–

On 1 April 2008, the standard rate of corporate tax changed to 28% and capital allowance legislation impacting on the calculation of deferred tax was introduced for taxable periods on or after 1 April 2008. For the purpose of the Group accounts to 31 December 2008, a blended rate of corporation tax has been applied.

21. Discontinued Operation

The outstanding debt of £1.2 million due to Schlumberger as at 31 December 2008 (31 December 2007: £1.1 million) relates to a historic gas field development. The interest accrued on this debt during the current year has also been classified within this discontinued operation.

Income statement and cash flow information

	2008 £'000	2007 £'000
Revenue	–	–
Expenses	–	–
Loss on disposal	–	–
Loss before interest and tax from discontinued operation	–	–
Interest	(75)	(81)
Tax	–	–
Loss after tax from discontinued operation	(75)	(81)

There are no operating cash flows connected to the discontinued operation.

22. Investment in Lansdowne Oil & Gas plc

(a) Gain on disposal of shares

On 26 June 2007 Ramco Hibernia Limited, a wholly owned subsidiary of the Company, sold 5,225,000 ordinary shares (25.1 per cent) in Lansdowne at a price of 50p per share to LC Capital Master Fund, generating a cash consideration of £2.6 million. As part of the sale and purchase agreement, the Group granted LC Capital Master Fund warrants over 5,000,000 ordinary shares in Ramco Energy plc, at an exercise price of 14p. The exercise price was set at a discount of 4p to the prevailing market price of the shares at the date of sale. The fair value of these warrants was calculated as a discount to the cash consideration. This yields a net consideration that is a reasonable approximation to the fair value of the Lansdowne shares. The sale reduced the Group's ownership of Lansdowne to 61.15 per cent and generated a gain on sale as calculated below.

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

(b) Gain on deemed disposal of shares

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

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

A further gain on dilution of £184,000 arose in May 2008 when Lansdowne Oil & Gas plc issued 2,973,707 new shares. As Ramco Hibernia Limited did not receive any of the new shares issued, the Group's interest in Lansdowne Oil & Gas plc reduced from 42.8% to 38.9%.

Following an issue of new shares by Lansdowne Oil & Gas plc in February 2009, the Group's interest reduced further to 36.26%.

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

Group	Note	2008 £'000	2007 £'000
(Loss)/profit for year from continuing operations		(3,287)	602
Adjustments for:			
Depreciation of property, plant and equipment		26	22
Intangible assets written off		–	937
Gain on sale of property, plant and equipment		–	(82)
Gain on sale of shares in subsidiary		–	(1,568)
Gain on deemed disposal		–	(2,272)
Equity settled share-based payment transactions		26	78
Other gains on investments		(225)	(107)
Impairment of investment in associate		49	–
Share of associate loss		504	77
Operating cash flows before movements in working capital		(2,907)	(2,313)
Change in trade and other receivables		(347)	(119)
Change in trade and other payables		137	(116)
Change in provisions		1	(24)
Cash outflow generated by operations		(3,116)	(2,572)
Net finance income	19	(54)	(98)
Net cash used in continuing operating activities		(3,170)	(2,670)
Group		2008 £'000	2007 £'000
Loss for year from discontinued operation		–	–
Adjustments for:			
Net finance expense		(75)	(81)
Operating cash flows before movements in working capital		(75)	(81)
Change in trade and other payables		75	81
Cash used in operations		–	–
Interest paid		–	–
Net cash from discontinued operating activities		–	–
Company		2008 £'000	2007 £'000
(Loss)/profit for year from continuing operations		(3,426)	714
Adjustments for:			
Depreciation of property, plant and equipment		23	21
Equity settled share-based payment transactions		26	94
Impairment provision – group receivables		2,140	(1,856)
Operating cash flows before movements in working capital		(1,237)	(1,027)
Change in trade and other receivables		(2,478)	2,372
Change in trade and other payables		(15)	(782)
Change in provisions		1	(24)
Cash outflow generated by operation		(3,729)	539
Net finance (expense)/income		(65)	15
Cash used in operations		(3,794)	554

24. Pension Commitments

The Group contributes to a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £162,000 (2007: £140,000). Contributions totalling £45,000 (2007: £nil) were payable to the funds at the year end.

S E Remp voluntarily agreed to defer pension contributions for the year amounting to £45,000.

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

Details of the Directors' pension contributions are given in the Remuneration Report on pages 23 to 25.

25. Capital Commitments

The Group has no unprovided contractual commitments for capital expenditure.

26. Operating Lease Commitments – minimum lease payments

	Land and buildings	
	2008 £'000	2007 £'000
Group		
Commitments under non-cancellable operating leases expiring:		
No later than 1 year	132	37
Later than 1 year and no later than 5 years	295	148
Later than 5 years	209	142
	635	327

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

Rental expenses are disclosed at note 16 and finance lease commitments are disclosed in note 11.

27. Group Undertakings

	Country of registration	Class of shares	Proportion held	Nature of business
Principal operating subsidiary undertakings at 31 December 2008:				
Ramco Oil & Gas Limited ⁽¹⁾	Scotland	Ordinary	100%	Holding company
Eagle HC Limited ⁽¹⁾	England	Ordinary	100%	Oil and gas projects
Ramco Hazar Energy Limited ⁽²⁾	Scotland	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas Limited ⁽¹⁾	England	Ordinary	100%	Oil and gas projects
Ramco Seven Heads Limited ⁽²⁾	Scotland	Ordinary	100%	Oil and gas projects
Northern Exploration Limited ⁽²⁾	Ireland	Ordinary	100%	Oil and gas projects
Medusa Montenegro Limited ⁽²⁾	Scotland	Ordinary	100%	Oil and gas projects
Ramco Hibernia Limited ⁽¹⁾	England	Ordinary	100%	Holding company
SeaEnergy Renewables Limited ⁽³⁾	Scotland	Ordinary	88%	Renewable energy projects

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

⁽¹⁾ Shares held by the Company. The carrying value of these investments has been written down to £nil (2007: £nil).

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

⁽³⁾ Holding reduced to 80% in March 2009.

28. Related Party Transactions

(a) Directors

During 2008 Executive Directors voluntarily agreed to defer contractual bonus and pension payments totalling £92,000 as summarised below.

	As at 31 December	
	2008 £'000	2007 £'000
S E Remp	74	–
S R Bertram	14	–
C G Moar	4	–
	92	–

No guarantees were given by the Company and no interest was charged on the outstanding balances.

(b) Directors

During 2007 the Company reimbursed expenses totalling £35,000 incurred by S E Remp personally in connection with SeaEnergy Renewables Limited prior to that subsidiary commencing trade.

In addition to his Board fees as a Non-Executive Director, M N Groves Gidney undertook consultancy. In the period from his appointment on 20 August 2008 to 31 December 2008 he received £3,000 of consultancy fees.

(c) Associates

During the year to 31 December 2008 the Group made payments for administrative expenses on behalf of its associate company Mesopotamia Petroleum Company Limited ("MPC") of £58,000 (2007: £114,000). The balance owed by MPC to the Group as at 31 December 2008 is £15,000 (2007: £20,000). It is unsecured and is to be settled in cash within six months of the reporting date. No interest is charged and no guarantee has been given.

During the year to 31 December 2008 the Group made payments for administrative expenses on behalf of its associate company Lansdowne Oil & Gas plc ("Lansdowne") of £nil (2007: £7,000). The balance owed by Lansdowne to the Group as at 31 December 2008 is £156,000 (2007: £111,000). It is unsecured and is to be settled in cash within six months of the reporting date. No interest is charged and no guarantee has been given.

29. Business Combination

On 14 May 2008 the Group acquired Eagle HC Limited ("Eagle"). Eagle owns a portfolio of North Sea royalty interests that were accumulated by Exploration Geosciences Limited ("EGL").

The initial consideration was £1.25 million. Of this amount £0.25 million was satisfied on 14 May 2008 by the issue of 943,396 ordinary shares in the Company.

Further consideration of £0.5 million became payable upon the spudding of the next well on the royalty acreage. This occurred in June 2008 and consequently a further 1,317,292 ordinary shares in the Company were issued on 24 June 2008.

The balance of the initial consideration, £1.0 million, was satisfied on 14 July 2008 by the issue of 1,912,960 ordinary shares in the Company.

A further £0.5 million becomes payable when cash flow from the royalty portfolio commences. All such contingent consideration can be settled at the Company's option, either in cash or through the issue of new shares.

Eagle was dormant during the financial year and its acquisition had no effect on the Group profit and loss account for the year.

Details of net assets acquired and goodwill are as follows:

	Fair value £'000
Purchase Consideration:	
Shares issued	1,750
Fair value of net assets acquired	1,261
Goodwill (note 4)	489

The assets and liabilities acquired are set out below:

	Book value £	Fair value adjustment £	Fair value £
Intangible assets	—	1,750,000	1,750,000
Receivables	500	—	500
Deferred income tax liabilities	—	(489,000)	(489,000)
	500	1,261,000	1,261,500

The goodwill is attributable to the deferred taxation arising on the differences between the fair values attributed to the net assets acquired and the taxation base of the net assets acquired.

The fair value of the shares was based on the closing mid market prices at the time of issue.

The Directors do not believe that the final element of deferred consideration is probable and it has therefore been excluded from the total purchase consideration.

30. Post Balance Sheet Events

(a) SeaEnergy Renewables Limited – Exclusivity Agreements

In February 2009 the Company's marine renewables subsidiary, SeaEnergy Renewables Limited ("SeaEnergy"), together with its co-venturers, entered into Exclusivity Agreements with The Crown Estate in relation to the proposed development of two offshore wind farm sites. Under those agreements SeaEnergy and its co-venturers were awarded preferred bidder status in respect of two proposed wind farm sites offshore Scotland. The combined SeaEnergy interest in both projects is approximately 456 MW.

The awards are subject to a Strategic Environmental Assessment ("SEA"), currently being pursued by the Scottish Government. The grant of any lease to allow construction of a wind farm will be subject to a favourable SEA outcome, site specific environmental impact assessment and statutory consents.

SeaEnergy expects that a 24 month data gathering period over the sites will be required ahead of planning consents being filed. Moving forward, the Joint Ventures will concentrate on early investigations of the proposed sites, and will engage in extensive stakeholder consultation.

As recognition of the SeaEnergy team's success in this process the Company agreed to sell up to a further 8% of the issued shares of SeaEnergy to the SeaEnergy management team. This transaction will be finalised when a valuation has been agreed with Her Majesty's Revenue & Customs. Following this transaction Ramco's stake in SeaEnergy will be reduced to 80%.

(b) Mesopotamia Petroleum Company Limited – Joint Venture

In February 2009 the Company's associate Mesopotamia Petroleum Company Limited ("MPC") signed a joint venture agreement with the Iraqi Drilling Company ("IDC"), the Iraqi state-owned drilling company.

The joint venture, which will be majority Iraqi owned (51% IDC, 49% MPC), will be known as Iraqi Oilfield Services Company MLLC ("IOSCO") and has been created for the purpose of drilling a large number of new wells and thereby significantly increasing oil and gas production in the Republic of Iraq.

IOSCO's main objectives will be to provide integrated drilling operations in Iraq for the state-owned oil companies, together with any international companies which are awarded licences in any forthcoming licensing rounds. The JV will deliver a wide range of oil services. The parties to the joint venture intend to invest a total of \$400 million to enable IOSCO to purchase and operate 12 new drilling rigs and for provision of logistical support and working capital in order to deliver state-of-the-art performance in its operations. Furthermore, IOSCO is committed to playing a leading role in developing local Iraqi expertise and resources in all aspects of the joint venture including integrated drilling technology.

MPC has appointed London-based investment bank, JPMorgan Cazenove, as its financial adviser and placement agent in connection with a major equity fund-raising to support MPC's contribution to the joint venture's drilling operations.

(c) Placing of new shares

In April 2009 the Company raised approximately £1.65m before expenses by way of a placing of 3,579,232 new ordinary shares of 10p each at a price of 46p each. The net proceeds of the Placing will be used by the Company to further the development of SeaEnergy Renewables Limited and for general working capital purposes.

(d) Exercise of warrants

In May 2009, following the exercise of 600,000 warrants, the Company allotted and issued 600,000 new ordinary shares of 10p each. In June 2009, following the exercise of a further 2,400,000 warrants, the Company allotted and issued 2,400,000 new ordinary shares of 10p each. The exercise of the warrants, which were granted in August 2005 at a price of 34p per share, resulted in the Company receiving £1.02 million as proceeds of these exercises.

Five Year Record

	2008 £'000	2007 £'000	2006 £'000	2005 restated £'000	2004 £'000
Continuing operations					
Revenue	-	-	-	13,664	41,927
Cost of sales	-	(21)	(78)	(22,535)	(45,519)
Exceptional items	-	-	-	15,681	5,714
Write off of intangible exploration assets	-	(937)	(3,950)	-	-
Gross (loss)/profit	-	(958)	(4,028)	6,810	2,122
Operating/administrative expenses	(3,013)	(2,301)	(2,797)	(1,543)	(1,421)
Exceptional items	-	-	-	(809)	-
Gain on listing of subsidiary	-	-	1,345	-	-
Gain on sale of shares in subsidiary	-	1,568	-	-	-
Gain on deemed disposal of subsidiary	-	2,272	-	-	-
Loss on exchange	-	-	-	(2)	(103)
Group operating (loss)/profit	(3,013)	581	(5,480)	4,456	598
Income from interests in joint venture	-	-	-	582	617
(Loss)/income from interests in associates	(328)	(77)	-	74	64
(Loss)/profit before investment income, interest and taxation	(3,341)	504	(5,480)	5,112	1,279
Net finance income/(expense)	54	98	68	(3,290)	(4,565)
Taxation	-	-	-	(84)	(91)
(Loss)/profit from continuing operations	(3,287)	602	(5,412)	1,738	(3,377)
Discontinued operation					
Loss from discontinued operation	(75)	(81)	(267)	-	-
(Loss)/profit for the year	(3,362)	521	(5,679)	1,738	(3,377)
(Loss)/earnings per share	(8.17p)	2.05p	(16.4)p	5.5p	(11.2)p
Weighted average number of shares used to compute (loss)/earnings per share	39,637,929	35,176,637	34,317,614	31,714,576	30,144,713

The figures presented above for 2008, 2007 and 2006 have been prepared in accordance with IFRS. The figures for 2005 and earlier years have been prepared in accordance with UK GAAP.

Advisers

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Websites

www.ramco-plc.com

www.lansdowneoilandgas.com

www.seaenergyrenewables.com

www.mesopotamiapetroleum.com

Notice of Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting of the members of Ramco Energy plc will be held at the Marcliffe at Pitfodels, North Deeside Road, Aberdeen on 29 July 2009 at 11.30am to conduct the following business:

1. To receive the Report of the Directors, the financial statements for the period ended 31 December 2008 and the Auditors' Report thereon.
2. To consider the re-election of S E Remp, who retires by rotation and being eligible offers himself for re-election as a Director.
3. To consider the re-election of M N Groves Gidney, who has been appointed to the Board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
4. 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.

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

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

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

That in accordance with Article 20 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 5 above as if sub-section 89(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to:

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

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £1,060,000;
and this power shall expire on the conclusion of the next Annual General Meeting ("AGM") of the Company, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

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

That in accordance with Article 20 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 5 above as if sub-section 89(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £500,000 to Schlumberger Offshore Services Limited ("Schlumberger") and/or LC Capital Master Fund Ltd ("LC"), in lieu of repayment of loan amounts currently due to each of them, and/or other parties in lieu of repayment of loan amounts as may become due to such other parties, and this power shall expire on the conclusion of the next AGM, except that the Company may before such an expiry make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors shall be entitled to allot securities pursuant to any such offer or agreement as if the power conferred had not expired.

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

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

(a) the maximum number of ordinary shares hereby authorised to be acquired is 5,300,000 ordinary shares of 10p each being approximately 10 per cent of the Company's existing issued share capital;

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

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

(d) the Company may before the expiry of such authority make a contract to purchase its ordinary shares under the authority hereby conferred, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

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

That following the implementation of the EU Shareholder Rights Directive (2007/36/EC) in the UK, the Company be entitled to hold general meetings of the shareholders of the Company (with the exception of annual general meetings) on the provision of 14 clear days' notice to the Company's shareholders.

By order of the Board

C G Moar

Company Secretary

Britannia House, Endeavour Drive, Arnhall Business Park

Westhill

Aberdeenshire AB32 6UF

26 June 2009

Notes

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

Only persons entered on the register of members of the Company at 6.00pm on 27 July 2009 shall be entitled to attend and vote at the Annual General Meeting or adjourned meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time will be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

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

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

Explanatory Note to Resolution 7

The Company has outstanding indebtedness due to both Schlumberger and LC in the approximate aggregate amount of £3.2 million. The Company may also seek funding for its subsidiary, SeaEnergy Renewables Limited, under which repayment may be made in certain circumstances in ordinary shares of 10p each in the capital of the Company. The Directors of the Company consider it prudent to seek the authority of the Company's members, pursuant to Resolution 7, to allot up to 5,000,000 ordinary shares of 10p each in the capital of the Company to Schlumberger and/or LC, in full or partial repayment of the said indebtedness, and/or other parties in full or partial payment of indebtedness which may arise. The granting of such authority would provide the Directors of the Company with the flexibility to seek to agree the form of any repayment that they feel would be in the best interests of the Company and its members without the need to revert to members for specific authorisation to allot any such shares.

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