

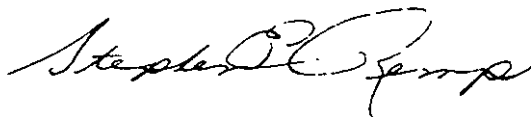
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## The Ramco strategy:

To become a leading independent oil and gas production company focusing on the former Soviet Union.

To build a select portfolio of world class oil and gas development projects, maximising our financial returns through partnering major oil companies.

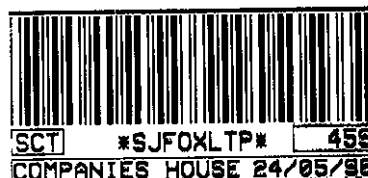
To enhance shareholder wealth by combining our vision and creativity with sound risk management.



Chairman and  
Chief Executive



5



# Realising the Potential



Steve Remp, Baku '96

I am pleased to report that 1995 has been another exciting and successful year in the development of your Company. Ramco's profile has become more widely known within the oil industry and in the financial communities on both sides of the Atlantic. We increased shareholder wealth, a key objective in our

corporate mission statement, with market capitalisation rising from £42 million at the start of the year to in excess of £115 million at the time of writing. The Company's share price performance, one of the best on the London Stock Exchange over the past five years, reflects growing investor interest and confidence in Ramco. The communication of our strategy and progress, both to existing and potential investors, is an important part of management's role and I find it one of the most enjoyable and rewarding aspects of my job. I have been delighted to welcome several large financial institutions as substantial shareholders during the year.

## FINANCIAL RESULTS

Group pre tax profits for the year were £754,000 (1994 – £1,624,000), reflecting an expected smaller payment from Pennzoil in connection with the Azeri, Chirag, Gunashli (ACG) project of £1,577,000 (1994 – £3,200,000), and a significantly improved performance from our oil services operations.

After a taxation charge of £264,000 (1994 – £587,000) a post tax profit of £490,000 (1994 – £1,037,000) resulted.

Earnings per share for the year were 2.54p compared to 5.56p in 1994.

#### DIVIDEND

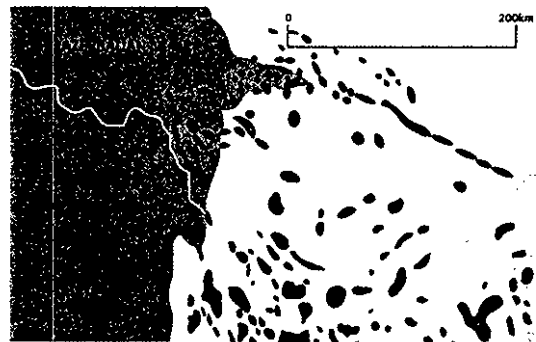
The Board recommends a maintained single final dividend for the year of 1p per share (1994 – 1p per share).

#### RAMCO OIL AND GAS

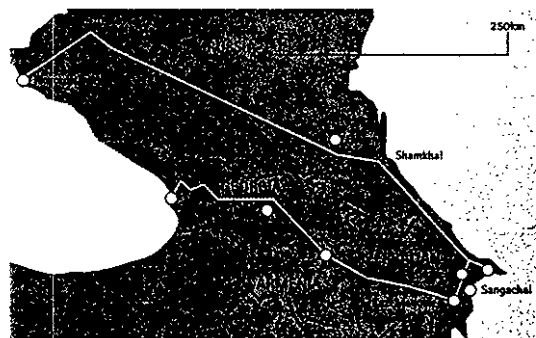
The main focus of attention of our oil and gas business throughout the year has been on the significant progress made towards developing the ACG fields by the Azerbaijan International Operating Company (AIOC). In the relatively short time since AIOC was formed, a tremendous amount of work has been done in preparing for first oil. The decision to opt for two separate pipeline routes to western markets was instrumental in enabling the fast track early oil option to proceed, which targets production of oil before the end of 1997.

I am often asked how eleven quite disparate oil companies, each with its own identity and culture, have successfully come together to work towards a common goal in such a spirit

Caspian Offshore Oil & Gas Potential



Export Pipeline Routes



AIOC Participants

Amoco	17.0100%
Pennzoil	9.8175%
Unocal	9.5200%
Exxon	5.0000%
McDermott	2.4500%
<b>SOCAR</b>	<b>10.0000%</b>
<b>Other</b>	<b>17.1925%</b>
<b>Statoil</b>	<b>8.5633%</b>
TPAO	6.7500%
Delta	1.6800%
<b>Total</b>	<b>100.0000%</b>

of co-operation. The fact that it has happened so quickly is a tribute to AIOC's management headed by Terry Adams, its first President, and to the mandate given by the participating companies to create an independent unified identity under the AIOC banner. I personally know all of the AIOC Vice Presidents, who have come from the various member companies, and can testify to their enthusiasm, ability and commitment.

AIOC has established a close working relationship with the State Oil Company of the Azerbaijan Republic (SOCAR) and has begun to employ and train many Azeri nationals. The President of the Azerbaijan Republic, Heydar Aliev, has vigorously supported AIOC and has helped focus the many Azeri governmental bodies to ensure their support of AIOC's activities.

AIOC is already emerging as an influential regional force, commanding the attention of governments, politicians, diplomats, bankers and supply companies not only in the Caspian region, but in Washington, London, Moscow, Ankara, Oslo, Riyadh and beyond.

I described in my Interim Statement the disagreement between Ramco and Pennzoil over the offshore Karabakh prospect.

A production sharing agreement for the Karabakh field has been signed by SOCAR (7.5%), Pennzoil (30%), LUKoil (7.5%), Agip (5%) and LUKAgip (50%). On 13 February 1996 the Azerbaijan parliament formally ratified the agreement, which should open the way for work to commence. The matter in dispute, which is important to both Ramco and Pennzoil, will be decided in due course by legal process. I can confirm that neither company is allowing this issue to impact the good relationship we have built up since 1992 or to influence our operational activities within AIOC.

#### RAMCO OIL SERVICES

Our oil service businesses had a good year with further significant progress at our new Badentoy facility to the south of Aberdeen. Stewart Cumming and his team were able to secure extensions to a number of long term contracts and were successful in winning additional overseas work. The increasing activity levels at Badentoy have encouraged

us to purchase additional land, adjacent to our site, which gives us considerable growth options for the future.

**The oil service businesses remain an important cash generator for the Group in the period before first oil flows from Azerbaijan.**

The management has a mandate to identify and secure new growth potential and has just embarked on an exciting project to apply, under exclusive licence, a new and promising range of ceramic coatings.

#### **RAMCO ALNAS**

Although 1995 was another disappointing year for our associate Ramco Alnas, our share of pre-tax losses did reduce from £239,000 to £67,000. On a more positive note, the venture was awarded its first major World Bank financed contract for the supply of submersible pumps to Tomskneft of Russia, and I am pleased to confirm that deliveries of the 175 pumps and accessories, commenced in March 1996. We are confident that the successful completion of this contract will help ensure a return to profitability for Ramco Alnas in the current year.

#### **DIRECTORS**

After 19 years of dedicated service to the Company and its shareholders, Iain Harrison and Normile Baxter recently retired from the Board. Both joined me when the Company was formed in 1977, and have been steadfast in their support during both good times and bad. They have added depth and quality to our Board and have brought important insight, experience, valued counsel and a sense of humour. My sincere thanks go to them for the vital role they have played. It has been an honour working with them.

Herbert A Denton, another Non-Executive Director, has also recently retired from the Board in order to devote more time to his principal business interests in the USA. His wealth of experience in doing business in the former Soviet Union was a significant help to the Company over the past few years. Replacing him on the Board, after the forthcoming AGM, will be Samuel Zell. Sam, Chairman of Equity Group Investments Inc. of Chicago, has a wide range of investment interests in property, manufacturing and the retail sector both within and outside the USA.

He is one of a group of US private investors, which also includes Bert Denton, who have been shareholders in Ramco since 1992 and he recently visited Azerbaijan with me. I am looking forward to welcoming Sam to the Board. As one of America's most renowned investors, he will bring important investor and banking relationships and an in-depth understanding of the US and European capital markets, all of which should serve us well in the future.

While the Board support the appointment of at least one more Non-Executive Director, it is our unanimous view that it is more important to find the right candidate rather than to make an immediate appointment.

#### STOCK EXCHANGE

As shareholders will know, the London Stock Exchange is phasing out the Unlisted Securities Market (USM) at the end of 1996. We have had discussions with the Stock Exchange regarding the options open to Ramco. While it remains our intention to move to a full listing, at this time the regulations do not permit this, as our oil and gas business is currently based on

the ACG project alone, albeit a very large and third party financed project. In conjunction with our stockbrokers, we have been monitoring the Alternative Investment Market (AIM) closely and have been impressed by its growth, success and profile. It is our opinion that our transfer from the USM to AIM, which would result in Ramco being one of the largest companies on AIM, would be advantageous and we plan to make this move before the end of the year.

#### PROSPECTS

We have not allowed ourselves to become complacent following the achievement of our participation in the ACG project. Rather, we are continuing to strengthen our position as a company focused on the former Soviet Union (FSU) energy industry and to build on the many important contacts we have made throughout both the FSU and the international oil industry.

We are currently engaged in investigating a small number of potential projects in conjunction with large industry partners, any one of which, if successful, would have a material impact on the Company.

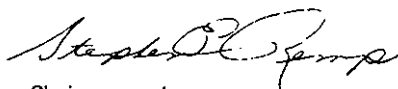
Our standing in Azerbaijan remains high and we are being encouraged by the Azeri leadership to pursue further opportunities. A recent highlight was the visit to Azerbaijan of a small group of prominent US investors. This was the first group of major private investors to visit the country. We were extremely well received by President Aliiev and other senior members of the Government.

It is our firm intention to build on our prominent position in Azerbaijan and to use our experience and contacts there as a springboard from which to secure further interests. I believe it is important to continuously examine strategic objectives, and given our experience to date, I feel sufficiently confident to add to our mission statement the following:

"to build a select portfolio of world class oil and gas development projects, maximising our financial returns through partnering major oil companies."

I am confident that this approach will continue to work for the long term benefit of all of our shareholders.

Lastly, I want to pay tribute to one of the best teams in the industry. During the early years of Ramco's pioneering involvement in the FSU, I was more often than not on my own. As part of our transition from oil service to oil company, resources became available which allowed me to put together an outstanding group of people to help me achieve our ambitious goals. I am committed to staying small, in terms of employee numbers, and because of this the people we have must be the best in their peer group. I invite shareholders to meet as many of them as possible at the Annual General Meeting.



Chairman and  
Chief Executive

## Ramco Oil and Gas



Michael N Burchell

Our activities during 1995 have been directed towards two distinct goals; progressing early oil production from the Azeri, Chirag, Gunashli (ACG) project; and the identification of, and securing the rights to, further attractive oil and gas prospects in the Caspian Region.

### ACG Project

Since its formation in late 1994, the Azerbaijan International Operating Company (AIOC), which was established to operate the ACG project, has made remarkable progress.

The most significant advance has come in connection with the short term export routes for early oil production from the fields.

In October 1995, the State Oil Company of the Azerbaijan Republic (SOCAR) and AIOC elected to develop two separate short term export routes. One to the north, utilising existing pipelines through Russia to Novorossiysk on the Black Sea, and another route west to the Black Sea through Georgia. Since then the President of the Azerbaijan Republic, Heydar Aliiev, and the Russian Prime Minister, Victor Chernomyrdin, signed an Intergovernmental Agreement in January 1996. It's ratification the following month allowed AIOC to sign a definitive transportation agreement with Transneft of Russia.

With export routes identified, current projections are for the first oil production before the end of 1997, with exports following shortly

thereafter. In order to meet this aggressive timetable for first oil, AIOC has purchased from SOCAR and is currently upgrading the Chirag 1 platform, constructed in Azerbaijan. Other existing infrastructure is also being upgraded for use by AIOC. Further seismic and reservoir work is also in progress and a baseline environmental study is now almost complete.

From its small beginnings AIOC now has a staff of over 180, 66% of which are Azerbaijan nationals, and has recently occupied refurbished offices, at Villa Petrolea in Baku.

#### Gas Utilisation Project (GUP)

The gas compression station installed by Pennzoil and Ramco on the Oil Rocks field, adjacent to the ACG field, continues to perform well, and by July 1995 had processed and delivered to shore over one billion cubic metres of gas. This project has generated substantial savings for the Azerbaijan Republic by reducing levels of gas imports. As we announced last year, Pennzoil has accepted a 30% interest in another offshore prospect, the Karabakh field, in part payment



for the work carried out on GUP by Pennzoil and Ramco.

Our US and UK legal advisors support our belief that Ramco is entitled to a participation in this prospect, as a result of our involvement in the GUP project. Pennzoil disagrees and this dispute is currently before the US courts. If the Courts decide in Ramco's favour, we will have another interest in an exciting offshore prospect.

#### **Muradhanli**

Muradhanli, the onshore prospect which we have been studying in Azerbaijan, has made further progress. Commercial negotiations have commenced with SOCAR, and we are currently engaged in initial discussions with potential partners interested in joining us in this project. We have also formed an alliance with a western service company who will provide field services in the early stages of the project.

The dual pipeline election taken for the ACG development may benefit our Muradhanli project, as export capacity is likely to be

available within the western pipeline system, which passes close to this field.

#### **Other Projects**

We have been invited by SOCAR to look at further potential projects in Azerbaijan, and are in the process of completing initial studies. A small number of other prospects in the Caspian Region are also under consideration and we are hopeful that, at a relatively low cost, we can advance at least one further project during the course of 1996.

M N Burchell

Managing Director – Oil & Gas

# Ramco Oil Services

## Tubular Services

1995 was another successful year for our Tubular Services operations, both in the UK and overseas.

During the year, the first full one at our Badentoy facility in Aberdeen, Scotland, we achieved higher throughput and improved operational efficiency, resulting in an increased contribution. Badentoy now has an extensive client list providing the plant with a regular and secure revenue base.

Our logistics function, which involves the management of our customers pipe stocks, has become a valuable source of revenue, as well as improving the competitive advantage of our core cleaning and coating operations. The volume of pipe handled during the year was substantially higher than in the previous year, necessitating the use of two off-site leased storage yards. We have already taken steps to solve this logistical problem with the purchase of additional, adjacent, farm land for which we have recently received permission for change of use.



N Stewart Cumming

Our two Pipe Care Units (PCUs) located within the Airdrie steel mill in Scotland, continue to operate on long term contracts, making a useful contribution to profits.

We are particularly pleased that, as predicted, our Norwegian operations at Floro and

Stavanger returned to profitability during 1995. This profit has been generated principally from increased levels of local finishing carried out on imported pipe, in particular Japanese supplies. In addition to finishing new pipe, we are optimistic that the increasing price of new pipe, and lengthy delivery times to Norway, will result in the growth of the pipe refurbishment business.

In Japan we had a particularly active year at our Nippon steel mill operation. Profitability levels improved, particularly in the latter part of the year, following the completion of a number of projects designed to reduce our operating costs.

#### Pipeline Services

This activity involves coating line pipe at our pipe coating plant within British Steel's pipe mill at Hartlepool, in the north east of England, primarily for oil and gas transmission systems.

During 1995, we coated 226km of pipe compared with 279km in 1994. However, the tonnage was higher as the pipe coated in 1995

was, on average, of a larger diameter than in 1994. This resulted in increased turnover and profits. Profitability was further enhanced as the coating plant became fully depreciated towards the end of the year.

#### Outlook

Badentoy has continued to perform well in the early part of the current year. Having acquired the additional land adjacent to our facility, we are considering plans to increase the capacity of the Badentoy site. We also intend to commence building a small office block at Badentoy to replace the temporary offices currently in use.

One of the PCUs at Airdrie is being modified to apply a newly developed ceramic based coating to oilfield tubulars, under an exclusive licence from a US company. We believe that this new technology has the potential to improve the performance of tubulars in the North Sea. The second PCU at Airdrie remains dedicated to servicing the existing market.

In Norway, 1996 will be the first full year of the contract signed last year with a Japanese

steel mill. This contract and the expected upturn in activity, should lead to further improvements in the Norwegian operations performance.

In Japan, we anticipate a small increase in volume, and expect a further improvement in margins as a result of modifications to our plant completed during 1995.

The outlook for Pipeline Services is stronger than at the same time last year. Whilst uncertainty over gas prices has led to the postponement of a number of projects, the development of marginal oil fields and their related tie-ins give rise to significant potential in the coming years. We are continuing to investigate the prospects for the application of alternative coatings such as multi-layer and insulation systems in an effort to expand our product range.

N S Cumming

Managing Director – Oil Services







# Directors and Advisers

## Directors

Stephen E Remp BA MA,  
Chairman and Chief Executive  
(United States of America citizen)

Steven R Bertram MA(Hons) CA,  
Group Financial Director

Michael N Burchell BSc(Hons),  
Managing Director – Oil and Gas

N Stewart Cumming  
Managing Director – Oil Services

Normile E Baxter\* (retired 29/3/96)

Herbert A Denton\* (retired 22/4/96)  
(United States of America citizen)

Peter Everett SPMB BSc CBIM\*

Iain V R Harrison CBE\* (retired 29/3/96)

## Secretary

Steven R Bertram MA(Hons) CA

## Registered Office

4 Rubislaw Place, Aberdeen  
AB10 1XN

Registered in Scotland No. 62845

## Stockbrokers

Henderson Crosthwaite,  
32 St Mary at Hill  
London  
EC3P 3AJ

## Financial Advisers

J P Morgan,  
60 Victoria Embankment,  
London EC4Y 0JP

Bell Lawrie White & Co.,  
7 Drumsheugh Gardens, Edinburgh  
EH3 7QH

## Auditors

Coopers & Lybrand,  
32 Albyn Place, Aberdeen AB10 1YL

## Solicitors

Ledingham Chalmers,  
1 Golden Square, Aberdeen AB10 1HA

W & J Burness W.S.,  
16 Hope Street, Charlotte Square,  
Edinburgh EH2 4DD

## Bankers

Clydesdale Bank PLC,  
Craigshaw Drive, Aberdeen AB12 3BE  
and at  
30 St Vincent Place, Glasgow G1 2HL

## Registrars

Clydesdale Bank PLC,  
Corporate Investment Services,  
PO Box 124, 150 Buchanan Street,  
Glasgow G1 2JS

\* Non-Executive Director and Member of The Audit and  
Remuneration Committee.

# Directors and Advisers

## Non-Executive Directors

Normile E Baxter (British citizen) (66).

*Normile has been a Non-Executive Director of Ramco since 1977. Following a long and successful career in the steel industry, he has been actively involved in the international oil service sector for many years, and is based in Aberdeen.*

*Normile is also a Director of Water Weights Limited and Drilltec UK Limited.  
(Retired 29/3/96).*

Herbert A Denton (US citizen) (49).

*Bert is based in New York, where he is President of a private investment bank. He has worked in banking and finance since 1977, both in the USA and in Hong Kong, and has, over recent years, acquired a wealth of experience of investing in and conducting business in the former Soviet Union.*

*Bert is also Chairman of Komkorp Limited, St Petersburg Iron and Metal Corporation, and a Director of Capsure Holdings Corporation.  
(Retired 22/4/96).*

Peter Everett SPMB BSc CBIM  
(British citizen) (64).

*Peter has a background in production and petroleum engineering, and extensive international oil industry experience, having served as Managing Director of Shell Brunei from 1979 to 1984, and as Managing Director of Shell UK Limited and Shell UK Exploration and Production until 1989. He has been*

*advising Ramco in a consulting capacity throughout the lengthy negotiating period in Azerbaijan. Peter fulfils the important role of Chairman of the Audit and Remuneration Committee.*

*Peter is a Non-Executive Director of Scottish Hydro-Electric plc, Forth Ports plc, Edinburgh Java Trust plc and Offshore Accommodation Group plc.*

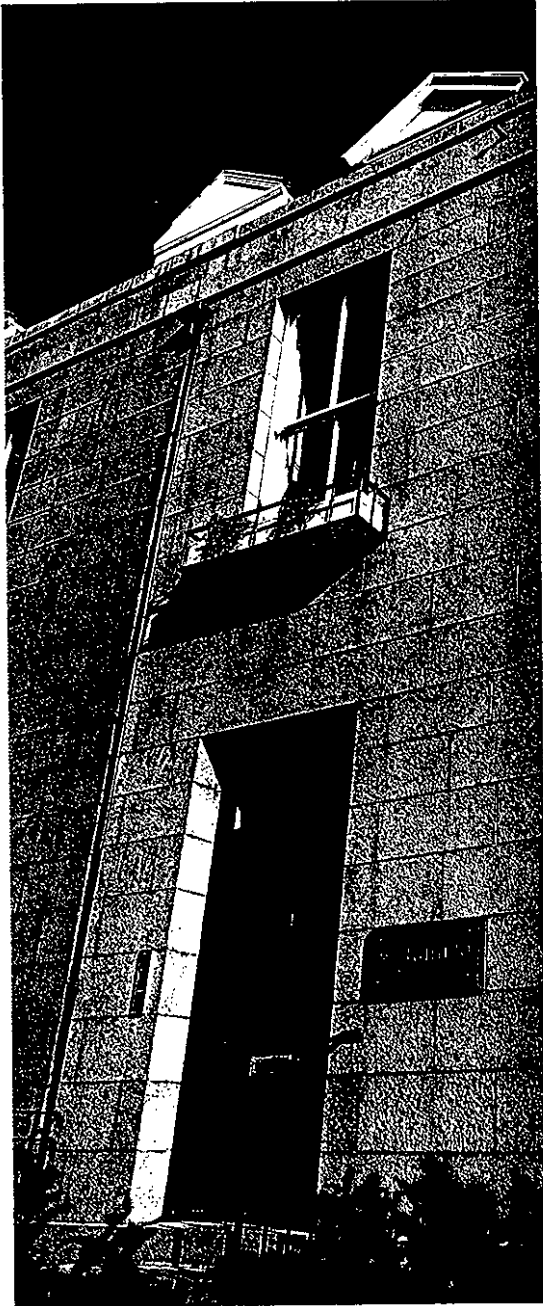
Iain V R Harrison CBE (British citizen) (66).

*Iain was one of the founding shareholders in Ramco, and has served as a Non-Executive Director since 1977.*

*Iain is based in Glasgow, where he serves as Chairman of a shipping company, Harrisons (Clyde) Limited, and of its subsidiary Stirling Shipping Company Ltd. Iain is also Chairman of Croft Oil and Gas plc, an independent exploration and production company with activities in the North Sea, the USA and Kazakhstan.*

*(Retired 29/3/96).*

# Office addresses



**Ramco Energy plc**  
4 Rubislaw Place  
Aberdeen  
AB10 1XN

**Ramco Energy plc (Moscow office)**  
Moscow  
Malyi Afansayevski pereulok, 1/33  
Apartment 15

**Ramco Oil Services Limited**  
**Ramco Alnas Limited**  
Badentoy Road  
Badentoy Park  
Portlethen  
Aberdeen  
AB12 4YA

**Ramco Oil & Gas Limited**  
263 High Street  
Dorking  
RH4 1RL

**Ramco Hazar Energy Limited**  
P.O. Box 370004  
Prospect Neftyanikov  
Room 328  
Baku  
Republic of Azerbaijan

# Report of the Directors

The Directors submit their report and audited Group accounts for the year ended 31 December 1995.

## Review of the Business, Principal Activities and Future Developments

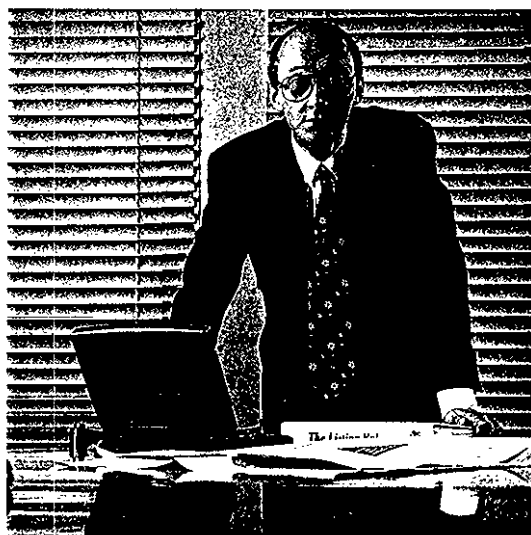
The principal activities of the Group are the development and production of hydrocarbons, the provision of related consultancy and the provision of oil services. The activities of the subsidiaries and associates are detailed in note 24 to the accounts. Reviews of current and future developments of the Company, its subsidiaries and associates are given in the Chairman's Statement and in the Operational Reviews of the Managing Directors.

## Results and Dividends

The Group consolidated profit and loss account set out on page 26 shows a profit on ordinary activities before tax of £754,000 (1994 – £1,624,000). After tax the Group profit for the year was £490,000 (1994 – £1,037,000).

The Directors recommend a single final dividend of 1p per ordinary share amounting to £193,000 (1994 – £192,000). Subject to the approval of this dividend at the Annual General Meeting the dividend will be paid on 26 July 1996 to shareholders on the register at 25 June 1996.

This will leave a total of £297,000 to be transferred to the Group's reserves.



Steven R Bertram

## Fixed Assets

Movements in tangible fixed assets during the year are summarised in note 11 to the accounts. Movements in intangible fixed assets and fixed asset investments are shown in notes 10 and 12 to the accounts, respectively.

## Employees

Although much of the Group's work is unsuitable for disabled persons, positive

efforts are made to recruit and train disabled persons for suitable work.

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 their business through a share option scheme.

In 1994 a bonus was paid to all full-time employees of the Group (with the exception of the Chairman). This bonus was paid by way of a distribution of existing Ramco shares from an employee benefit trust which made each full-time employee a shareholder in the Company.

#### **Directors**

The Directors of the Company who served during the year are listed on page 16.

In accordance with the Company's Articles of Association, N S Cumming and M N Burchell retire by rotation and being eligible offer themselves for re-election. Both of the Directors offering themselves for re-election, have service contracts with an unexpired period of two years.

Details of the remuneration of the Directors and the interests of the Directors in the share capital, share options and material contracts of the Company and the Group are disclosed in note 4 to the accounts. A report from the

Remuneration Committee is also included on page 24.

#### **Substantial Shareholders**

Apart from the interests of S E Remp disclosed in note 4 to the accounts the Directors had also been notified of the following interests in 3% or more of the Company's issued share capital at 2 April 1996:

Name of member	No. of shares	% of capital
Mercury Asset Management	3,110,825	16.11
S. G. Warburg Trust Co Ltd	869,925	4.51
Bank of England Pension Fund	625,000	3.24

#### **Share Capital**

Details of allotments made during the year and between 1 January 1996 and 2 April 1996 are given in note 17 to the accounts.

A motion to increase the authorised share capital of the Company to £3,000,000 by the addition of 8,000,000 ordinary shares of 10p each, will be proposed at the AGM.

#### **Political and Charitable Contributions**

Contributions made by the Group during the year for charitable purposes were £4,800. No contributions were made for political purposes.

#### **Branches**

The Group continues to operate branches outside of the UK in the following countries, Japan, Russia and Azerbaijan.

### Liability Insurance

The Company maintains insurance to cover directors' and officers' liability as defined by Section 310(3)(a) of the Companies Act 1985 (as amended).

### Corporate Governance

The Board currently comprises four Executive and one Non-Executive Director and meets regularly throughout the year. The Board is responsible for the overall direction and strategy of the Group. The Non-Executive Director is independent of the Group and brings a wealth of relevant commercial and professional experience to the Board. The Company established an Audit and Remuneration Committee four years ago.

The Board supports the highest standards in corporate governance, but in keeping with many other companies of our size, has been unable to comply fully with all of the recommendations of the Cadbury Committee report.

There are three recommendations with which the Company has not fully complied.

- a) The roles of Chairman and Chief Executive are both currently filled by S E Remp although N S Cumming manages the day to day running of the oil service businesses in his capacity as Managing Director of these businesses and M N Burchell fulfils the same role for the oil and gas businesses. The Board currently does not believe it to be appropriate to separate the roles of Chairman and Chief Executive.

- b) An incentive scheme which pre-dates the Cadbury Report ended in October 1995 and will not be replaced. This scheme paid cash bonuses to certain Non-Executive Directors during 1995. Non-Executive Directors are appointed for a term of three years.
- c) The Board currently has only one Non-Executive Director. A further Non-Executive Director will be appointed shortly after the forthcoming AGM and it is the Board's intention to appoint at least one further Non-Executive Director once a suitable candidate has been identified.

### Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt a going concern basis in preparing the accounts.

### Internal Financial Control

The Board of Directors has overall responsibility for the Group's system of internal financial control and for maintaining the effectiveness of this system. Such a system can provide reasonable but not absolute assurance that assets are safeguarded, transactions authorised and correctly recorded and that material errors and irregularities are either prevented or would be detected within a timely period.

The Board has put in place an organisational structure, which has been developed and refined over a number of years, with clearly defined

lines of responsibility and delegation of authority. The Directors have delegated to executive management, within the individual business units, implementation of the system of internal financial control. The business units are required to follow established procedures for budgeting, capital expenditure, information and reporting systems, all of which are reviewed and monitored by the Board of Directors.

The Audit and Remuneration Committee reviews the effectiveness of the internal financial control environment of the Group. The Committee also meets with the external auditors at least twice a year.

The individual business units report their results on a monthly basis with actual results compared to budget and a rolling forecast for the year. The Group reports to shareholders on a half yearly basis. The Directors have reviewed the effectiveness of the Group's system of internal financial control.

#### **Directors' Responsibilities**

The Directors are required by UK company law to prepare accounts 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 and reasonable and prudent judgements and estimates have

been made in the preparation of the accounts for the year ended 31 December 1995. The Directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

#### **Share Dealing System**

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1996 ('the Regulations') that the Company intends to pass a resolution of its Directors that title to the ordinary shares of 10p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system.

#### **Proposed Amendments to the Articles of Association**

You will see from the Notice of Meeting (page 46) that the Directors are proposing four changes to the Articles of Association of the Company in order to ensure compliance with the current Listing Rules of the London Stock Exchange. These are:

- i) new wording for Article 50 so that the Directors' discretion to refuse the registration of transfers of shares which have not been fully paid may not obstruct dealings in such shares from taking place on an open and proper basis;

- ii) an amendment to Article 89(B) to increase from six days to seven days the minimum period of notice which has to be given to the Company in circumstances where it is intended to propose any person, other than a Director, retiring at an Annual General Meeting, or a person recommended by the Directors, for re-election or election as a Director;
- iii) new wording for Article 103(C) to expand the prohibition on a Director voting on contracts or arrangements in which he has any material interest, to take account of any interest of any person connected with him, which when aggregated with his interest amounts, to his knowledge, to a material interest; and
- iv) new wording for Article 103(D)(iv) to narrow the exemption which entitles a Director to vote on any resolution concerning any proposal in respect of any company in which he is interested, provided that his interest does not exceed 1% of any class of the equity share capital or the voting rights in such company. The definition of "interest in shares" will be brought into line with that applied in relation to identifying notifiable interests in terms of the Companies Act 1985 and the assessment of a Director's interest will include the interests of any persons connected with him.

#### Auditors

A resolution to re-appoint the Auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board,  
S R Bertram MA(Hons) CA Secretary.  
24 April 1996



# Report of the Remuneration Committee

Ramco operates in the international oil and gas industry and aims to attract, reward, motivate and retain top executives in a manner consistent with that industry and the long term accumulation of value for shareholders.

The remuneration packages of the Executive Directors are set by the Audit and Remuneration Committee of the Board comprising the Non-Executive Directors. Remuneration packages consist of annual salary, performance related bonus, health and car benefits, pension contributions and share options. The Executive Directors all have service contracts terminable by the Company on two years notice with the exception of S E Remp whose contract requires three years notice from the Company. The Committee continues to believe that the terms of these contracts are appropriate in order to retain high quality management. The unexpired term of the service contracts of Directors proposed for re-election at the forthcoming annual general meeting is disclosed in the report of the Directors.

The performance related bonuses are calculated as a percentage of the after tax profit of the Group companies for which the individual Executive Director performs duties. The bonuses are payable following the signing of the audit report for each year, although interim payments can be approved by the Audit and Remuneration Committee where established businesses are involved.

Director	Bonus %	Group Companies
S E Remp	7.5	All
S R Bertram	0.5	All
M N Burchell	2.0	Oil & Gas Companies
N S Cumming	2.5	Oil Service Companies – excluding Ramco Alnas

During 1995 a share price related incentive scheme, established in 1992 before the publication of the Cadbury Report matured triggering cash bonuses to three of the Non-Executive Directors. These bonuses were based on the share price movement between October 1992 and October 1995 and were fully taxed. This scheme has now expired and is not being replaced. The details of Directors' remuneration and share options are given in note 4 to the accounts.

On behalf of the Board,  
P Everett  
Chairman, Audit and Remuneration  
Committee

**Report by the Auditors**

**To Ramco Energy plc on corporate governance matters.**

In addition to our audit of the financial statements, we have reviewed the Directors' statement on pages 21 and 22 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

**Basis of opinion**

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

**Opinion**

With respect to the Directors' statement on internal financial control and going concern on pages 21 and 22 in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the company, and examination of relevant documents, in our opinion the Directors' statement on pages 21 and 22 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

*Coopers & Lybrand*

Coopers & Lybrand  
Chartered Accountants  
Aberdeen  
24 April 1996.

# Group Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 £000	1994 £000
Turnover	2	6,893	7,574
Cost of sales		4,972	4,593
Gross profit		1,921	2,981
Administrative expenses	6	1,153	1,015
Trading profit		768	1,966
Share of results of associated undertakings	12	(70)	(254)
Operating profit	3	698	1,712
Interest receivable	5	71	5
Interest payable	5	(15)	(93)
Profit on ordinary activities before taxation	2	754	1,624
Tax on profit on ordinary activities	7	264	587
Profit on ordinary activities after taxation		490	1,037
Dividends proposed	8	193	192
Retained profit for the year	19	297	845
Earnings per share	9	2.54p	5.56p

The results relate solely to continuing operations.

## Note of historical cost profits

	1995 £000	1994 £000
Reported profit on ordinary activities before taxation	754	1,624
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	(6)	(5)
Historical cost profit on ordinary activities before taxation	748	1,619
Historical cost profit for the year retained after taxation and dividends	291	840

# Group Balance Sheet

AS AT 31 DECEMBER 1995

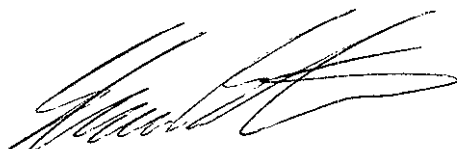
	Note	1995 £000	1994 £000
<b>Fixed assets</b>			
Intangible assets	10	161	–
Tangible assets	11	4,606	4,795
Investments	12	57	90
		<b>4,824</b>	<b>4,885</b>
<b>Current assets</b>			
Stocks	13	162	184
Debtors	14	1,488	1,215
Cash at bank and in hand		2,054	2,432
		<b>3,704</b>	<b>3,831</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>1,637</b>	<b>2,158</b>
<b>Net current assets</b>		<b>2,067</b>	<b>1,673</b>
<b>Total assets less current liabilities</b>		<b>6,891</b>	<b>6,558</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>18</b>	<b>45</b>
<b>Provisions for liabilities and charges</b>	16	<b>164</b>	<b>143</b>
<b>Accruals and deferred income</b>			
Deferred government grants		–	25
		<b>182</b>	<b>213</b>
<b>Net assets</b>		<b>6,709</b>	<b>6,345</b>
<b>Capital and reserves</b>			
Called up share capital	17	1,931	1,921
Share premium account	19	2,713	2,683
Revaluation reserve	19	131	131
Other reserves	19	(56)	(83)
Profit and loss account	19	1,990	1,693
<b>Equity shareholders' funds</b>	20	<b>6,709</b>	<b>6,345</b>

These accounts were approved by the Board of Directors on 24 April 1996.

S E Remp  
Chairman and Chief Executive



S R Bertram  
Group Financial Director



# Holding Company Balance Sheet

AS AT 31 DECEMBER 1995

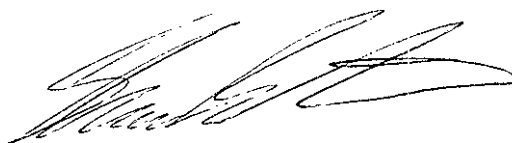
	Note	1995 £000	1994 £000
<b>Fixed assets</b>			
Intangible assets	10	161	–
Tangible assets	11	861	4,649
Investments	12	2,334	1,820
		<b>3,356</b>	<b>6,469</b>
<b>Current assets</b>			
Stocks	13	–	165
Debtors	14	4,816	2,012
Cash at bank and in hand		862	2,410
		<b>5,678</b>	<b>4,587</b>
Creditors: amounts falling due within one year	15	2,307	4,554
<b>Net current assets</b>		<b>3,371</b>	<b>33</b>
<b>Total assets less current liabilities</b>		<b>6,727</b>	<b>6,502</b>
Creditors: amounts falling due after more than one year	15	18	45
Provisions for liabilities and charges	16	–	112
		<b>18</b>	<b>157</b>
<b>Net assets</b>		<b>6,709</b>	<b>6,345</b>
<b>Capital and reserves</b>			
Called up share capital	17	1,931	1,921
Share premium account	19	2,713	2,683
Revaluation reserve	19	1,934	1,508
Profit and loss account	19	131	233
<b>Equity shareholders' funds</b>	20	<b>6,709</b>	<b>6,345</b>

These accounts were approved by the Board of Directors on 24 April 1996.

S E Remp  
Chairman and Chief Executive



S R Bertram  
Group Financial Director



# Group Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 £000	1994 £000
Net cash inflow from continuing operating activities	23(a)	1,021	3,956
<b>Returns on investments and servicing of finance</b>			
Interest received		71	5
Interest paid		(7)	(85)
Interest paid on finance leases and hire purchase contracts		(8)	(8)
Dividends paid		(192)	(91)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(136)</b>	<b>(179)</b>
<b>Taxation</b>			
United Kingdom corporation tax (paid)/received		(664)	30
Overseas tax paid		(14)	(31)
<b>Tax paid</b>		<b>(678)</b>	<b>(1)</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(425)	(813)
Sale of tangible fixed assets		43	69
Purchase of intangible fixed assets		(161)	—
Purchase of investment in associated undertaking		(3)	(15)
<b>Net cash outflow from investing activities</b>		<b>(546)</b>	<b>(759)</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>(339)</b>	<b>3,017</b>
<b>Financing</b>			
Issue of share capital		40	1,259
Proceeds of sale and leaseback arrangement		—	42
Payment of principal under finance leases and hire purchase contracts		(62)	(72)
<b>Net cash (outflow)/inflow from financing</b>		<b>(22)</b>	<b>1,229</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	23(b)	<b>(361)</b>	<b>4,246</b>

# Group Statement of Total Recognised Gains and Losses

FOR THE YEAR ENDED 31 DECEMBER 1995

	1995	1994
	£000	£000
Profit on ordinary activities after taxation	490	1,037
Unrealised exchange differences on foreign currency net investments	27	(10)
Total recognised gains relating to the year	517	1,027

## Notes to the Accounts

FOR THE YEAR ENDED 31 DECEMBER 1995

### 1. Accounting Policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### Basis of accounting

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

#### Basis of consolidation

The Group accounts consolidate the accounts of Ramco Energy plc and all of its subsidiaries, made up to 31 December each year. No profit and loss account is presented for Ramco Energy plc as provided by S.230 of the Companies Act 1985. Shares in Group undertakings have been revalued on the basis of the Company's share of the net asset value of the Group undertakings at 31 December 1995.

Undertakings, other than subsidiaries, in which the Group has an investment comprising an interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated undertakings. The Group accounts include the appropriate share of these undertakings' results and net assets based on accounts to 31 December 1995.

#### Goodwill

Purchased goodwill, being the excess of the cost of the shares over the fair value of the assets acquired, is written off directly against other reserves.

#### Fixed assets

##### INTANGIBLE

Development expenditure relating to specific projects intended for commercial exploitation is carried forward.

Such expenditure is written off as the related future revenues are earned, or is written off immediately if it is decided that the project is not commercial.

##### TANGIBLE

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition. Land and buildings are stated at valuation. When a revalued asset is disposed of it is the Group's policy to adjust the valuation immediately prior to its disposal to reflect the market value of the asset. The basis of valuation is stated in note 11 to the accounts.

Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Freehold buildings	– 2% to 7½%
Pipe Care Units	– 120 operating months
Other plant and machinery	– 10% to 25%

## 1. Accounting Policies (continued)

### Leasing and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

### Government grants

Government grants on capital expenditure are credited to deferred income and are released to revenue over the expected useful life of the relevant asset. Grants of a revenue nature are credited to revenue in the period to which they relate.

### Stocks

Stocks are stated at the lower of cost and net realisable value.

### Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All exchange gains and losses are taken to the profit and loss account.

The accounts of overseas subsidiaries and associated undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to other reserves.

### Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

### Turnover

Turnover, which excludes value added tax and sales between Group companies, represents the invoiced value of services supplied. Turnover from oil and gas operations includes the development and production of hydrocarbons and related consultancy. Oil services turnover is derived from the provision of tubular services and pipeline coating.

## 2. Segmental Information

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

### Business segments

	Oil & Gas		Oil Services		Total	
	1995	1994	1995	1994	1995	1994
	£000	£000	£000	£000	£000	£000
Turnover	1,591	3,205	5,302	4,369	6,893	7,574
Profit/(loss) before taxation and administrative expenses:						
Group	737	2,182	1,184	799	1,921	2,981
Associated undertakings	(3)	(15)	(67)	(239)	(70)	(254)
	734	2,167	1,117	560	1,851	2,727
Administrative expenses					(1,153)	(1,015)
Net interest					56	(88)
Profit on ordinary activities before taxation					754	1,624
Net assets:						
Group	2,016	754	4,636	5,501	6,652	6,255
Associated undertakings	-	-	57	90	57	90
	2,016	754	4,693	5,591	6,709	6,345

## 2. Segmental Information (continued)

### Geographical segments

	United Kingdom		Norway		Asia		Former Soviet Union		Total	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover										
By destination and origin	3,356	3,025	799	461	1,161	883	1,577	3,205	6,893	7,574

	United Kingdom, Former Soviet Union and Asia		Norway		Total	
	1995	1994	1995	1994	1995	1994
	£000	£000	£000	£000	£000	£000
Profit/(loss) before taxation and administrative expenses:						
Group	1,844	3,103	77	(122)	1,921	2,981
Associated undertakings	(70)	(254)	-	-	(70)	(254)
	1,774	2,849	77	(122)	1,851	2,727
Administrative expenses					(1,153)	(1,015)
Net interest					56	(88)
Profit on ordinary activities before taxation					754	1,624
Net assets						
Group	6,409	5,976	243	279	6,652	6,255
Associated undertakings	57	90	-	-	57	90
	6,466	6,066	243	279	6,709	6,345

The Directors are of the opinion that disclosure of more detailed segmental results and net assets would seriously prejudice the Group's interests. There are no significant inter-segment sales.

3. Operating Profit	1995 £000	1994 £000
This is stated after charging or (crediting):		
Directors' remuneration (note 4)	977	563
Depreciation of owned assets	538	622
Depreciation of leased assets and assets acquired under hire purchase contracts	31	32
Operating lease rentals – land and buildings	152	107
Operating lease rentals – plant and machinery	179	126
Government grant release	(25)	(33)
Loss/(gain) on disposal of tangible fixed assets	3	(2)
Loss on exchange	14	-
Auditors' remuneration for:		
Audit (Company – £17,000; 1994 – £12,000)	32	21
Other services to the Company and its UK subsidiaries	45	40

#### 4. Employees and Directors

The average weekly number of employees during the year was:

	1995	1994
	Number	Number
Oil Services	92	92
Oil & Gas	7	7
Office and management	9	7
	108	106

	1995	1994
	£000	£000
Staff costs during the year amounted to:		
Wages and salaries	2,205	1,835
Social security costs	211	180
Other pension costs	117	59
	2,533	2,074

Directors' remuneration	Performance Related					1995	1994
	Fees	Salary	Bonus	Benefits	Pension	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Executive Directors							
S E Remp (Chairman)	—	225	63	23	50	361	332
S R Bertram	—	75	4	9	11	99	87
M N Burchell	—	120	10	6	18	154	8*
N S Cumming	—	80	22	6	12	120	130
Non-Executive Directors							
N E Baxter	10	—	66	—	—	76	3
H A Denton	10	—	—	—	—	10	3
P Everett	15	—	66	—	—	81	0*
I V R Harrison	10	—	66	—	—	76	0*
	45	500	297	44	91	977	563

\* Appointed 6 December 1994.

#### Directors' Interests

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 1994	At 31 Dec 1995	At 2 April 1996 or date of resignation
S E Remp		3,490,050	3,514,500	3,514,500
	a	499,600	3,250	3,250
S R Bertram		43,295	43,295	43,295
M N Burchell		9,077	15,729	15,729
N S Cumming		83,692	83,692	83,692
N E Baxter (retired 29/3/96)		114,000	34,000	34,000
H A Denton (retired 22/4/96)	b	250,000	250,000	250,000
	c	50,000	17,762	—
	d	267,009	267,009	—
P Everett		10,000	10,000	14,443
I V R Harrison (retired 29/3/96)		15,000	11,000	7,000
	e	68,200	—	—

#### 4. Employees and Directors (continued)

- a. Interest held under power of attorney – registered holder Mrs B R Remp, S E Remp's mother.
- b. Interest held through a 100% interest in Warwick Partners LP.
- c. Interest held through a 33% interest in Providence Capital Inc, which became a 100% interest on 15 August 1995.
- d. Interest held through a 10% interest in Russia and the Republics Equity Partners L.P. (RARE), H A Denton's interest in RARE was disposed of on 1 February 1996.
- e. Interest held through a controlling family interest in Harrisons (Clyde) Ltd.

#### Directors' interest in share options are as follows:

	Exercise price	At 31 Dec 1994	Granted	Exercised	At 31 Dec 1995	Normal exercise dates
S E Remp	34p	125,000	–	–	125,000	1/7/92-30/6/99
	125p	175,000	–	–	175,000	1/7/96-30/6/03
S R Bertram	125p	119,000	–	–	119,000	1/7/96-30/6/03
	220p	11,000	–	–	11,000	10/12/97-9/12/04
M N Burchell	125p	75,000	–	–	75,000	1/7/96-30/6/03
	220p	20,000	–	–	20,000	10/12/97-9/12/04
N S Cumming	34p	250,000	–	–	250,000	1/7/92-30/6/99
	125p	27,000	–	–	27,000	1/7/96-30/6/03
		802,000	–	–	802,000	

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 18.

#### Other interests

S E Remp and N S Cumming are entitled to royalty payments from the Company in connection with the Patent of the PCU which they have assigned to the Company. S E Remp has waived his entitlement to all royalties from this agreement. His royalty entitlement for 1995 would have been £1,500.

Royalty payments totalling £3,000 were made during 1995 and further royalties of £3,000 have been accrued for that year. N S Cumming received £1,500 of the royalties paid during the year and is entitled to £1,500 of the accrued royalties.

#### 5. Interest Receivable and Interest Payable

	1995 £000	1994 £000
<b>Receivable:</b>		
Bank interest	71	5
<b>Payable:</b>		
On bank loans and overdrafts wholly repayable within five years not by instalments	(7)	(85)
On finance leases and hire purchase contracts	(8)	(8)
	(15)	(93)

#### 6. Administrative expenses

	1995 £000	1994 £000
Administrative expenses	1,153	948
Exceptional administrative expenses	–	67
	1,153	1,015

Exceptional administrative expenses for 1994 relate to relocation costs.

7. Taxation	1995	1994
	£000	£000
Tax on profit on ordinary activities		
Corporation tax at 33% (1994 – 33%)	340	707
Overseas tax at 28% (1994 – 28%)	6	12
Deferred taxation	(42)	2
Tax attributable to results of associated undertakings	(34)	(75)
	270	646
Adjustments in respect of previous periods:		
Corporation tax at 33%	(21)	–
Deferred taxation	15	(59)
	(6)	(59)
	264	587

Overseas taxation of £75,000 is offset by an equal amount of double taxation relief.

8. Dividends	1995	1994
	£000	£000
Final proposed 1p per 10p ordinary share (1994 – 1p)	193	192

#### 9. Earnings per Share

Earnings per share have been calculated on the profit on ordinary activities after taxation of £490,000 (1994 – £1,037,000) and have been based on a weighted average of 19,260,565 ordinary shares of 10p each in issue during the year (1994 – 18,650,335). A fully diluted earnings per share figure based on the share options outstanding is not provided as the effect on earnings per share is not material.

#### 10. Intangible Fixed Assets

The additions during 1995 relate to costs in connection with the Muradhanli field, an onshore field in Azerbaijan. The commercial terms for developing this project are currently being concluded with the State Oil Company of the Azerbaijan Republic (SOCAR).

	Development Costs £000
Cost:	
At 1 January 1995	–
Additions	161
At 31 December 1995	161

#### Carried interest

Ramco's share of the costs incurred under the Azeri, Chirag and Gunashli Production Sharing Contract are covered by a carried interest arrangement with Pennzoil. Under the carried interest arrangement Pennzoil bears all of the costs of the carried interest and is entitled to recover these costs out of the proceeds of all of the cost oil and 42.86% of the profit oil attributable to the carried interest. Once the carried costs have been recovered in this way Pennzoil's liability to bear further costs on behalf of Ramco ceases and Ramco becomes entitled to the full production in respect of the carried interest and bears the related costs. The amount of carried costs at 31 December 1995, which is not included in these accounts, was £22 million, which will be recovered in the manner described above.

11. Tangible Fixed Assets	Freehold land and buildings	Plant and machinery	Total
Group:	£000	£000	£000
Cost or valuation:			
At 1 January 1995	2,893	5,614	8,507
Retranslation	—	37	37
Transfer	7	(7)	—
Additions	127	298	425
Disposals	—	(80)	(80)
<b>At 31 December 1995</b>	<b>3,027</b>	<b>5,862</b>	<b>8,889</b>
Of which: At cost	565	5,862	6,427
At valuation	2,462	—	2,462
	<b>3,027</b>	<b>5,862</b>	<b>8,889</b>
Depreciation:			
At 1 January 1995	73	3,639	3,712
Retranslation	—	36	36
Provided during year	45	524	569
Disposals	—	(34)	(34)
<b>At 31 December 1995</b>	<b>118</b>	<b>4,165</b>	<b>4,283</b>
Net book value:			
At 31 December 1995	2,909	1,697	4,606
At 31 December 1994	2,820	1,975	4,795
Company:			
Cost or valuation:			
At 1 January 1995	2,893	3,754	6,647
Transfer	(2,547)	(3,283)	(5,830)
Additions	75	200	275
Disposals	—	(58)	(58)
<b>At 31 December 1995</b>	<b>421</b>	<b>613</b>	<b>1,034</b>
Of which: At cost	109	613	722
At valuation	312	—	312
	<b>421</b>	<b>613</b>	<b>1,034</b>
Depreciation:			
At 1 January 1995	73	1,925	1,998
Transfer	(64)	(1,878)	(1,942)
Provided during year	9	126	135
Disposals	—	(18)	(18)
<b>At 31 December 1995</b>	<b>18</b>	<b>155</b>	<b>173</b>
Net book value:			
At 31 December 1995	403	458	861
At 31 December 1994	2,820	1,829	4,649

# 11. Tangible Fixed Assets (continued)

Included in plant and machinery of Group and Company at 31 December 1995 are leased assets and assets acquired under hire purchase contracts with a net book value of £82,000 (1994 – £153,000).

Freehold land and buildings includes interest capitalised of £236,000 (1994 – £236,000). On completion of the major part of the new Badentoy facility all of the Group's freehold land and buildings were valued on an open market basis for existing use on 31 December 1993 by Smith Milligan, chartered surveyors.

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

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Historical cost:				
At 31 December	2,498	2,498	479	2,498
Depreciation:				
At 31 December	249	205	187	205

## Capital Commitments

The Directors have authorised future tangible fixed asset expenditure in connection with the proposed offices at Badentoy not provided for in these accounts as follows:

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Authorised but not contracted for	500	–	–	–

12. Investments	1995
Group: Associated undertakings	£000
Book value	
At 1 January 1995	90
Additions	3
Share of after tax results for the year	(36)
At 31 December 1995	57

	Subsidiary undertakings	Associated undertakings	Total
	£000	£000	£000
Company:			
Cost or valuation:			
At 1 January 1995	1,730	90	1,820
Movement on revaluation of subsidiaries	547	–	547
Share of after tax results of associated undertakings	–	(33)	(33)
At 31 December 1995	2,277	57	2,334

## 12. Investments (continued)

If investments in Group undertakings had not been revalued they would have been included at the following amounts:

	Subsidiary undertakings £000	Associated undertakings £000	Total £000
Cost:			
At 1 January 1995	1,002	290	1,292
Additions	-	3	3
At 31 December 1995	1,002	293	1,295
Provisions:			
At 1 January 1995	-	(290)	(290)
Provided during the year	-	(3)	(3)
At 31 December 1995	-	(293)	(293)
Net book value:			
At 31 December 1995	1,002	-	1,002
at 31 December 1994	1,002	-	1,002
Share of results of associated undertakings:		1995 £000	1994 £000
Ramco Alnas Group			
Turnover		582	126
Loss before taxation		(134)	(479)
Group share 50%		(67)	(239)
Tyumen unincorporated undertaking			
Loss for the year		(6)	(30)
Group share of loss		(3)	(15)
		(70)	(254)

The principal operating group undertakings at 31 December 1995 are listed in note 24.

13. Stocks	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Consumables and stores	162	184	-	165

14. Debtors: Amounts falling due within one year	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Trade debtors	1,177	776	-	648
Amounts owed by subsidiary undertakings	-	-	3,609	674
Amounts owed by associated undertakings	153	366	108	128
Group relief receivable	-	-	229	-
Corporation tax recoverable	50	-	50	-
Value added tax and other taxes	9	4	-	-
Other debtors	10	8	8	8
Dividends receivable	-	-	745	500
Prepayments	41	61	19	54
	1,440	1,215	4,768	2,012
Amounts falling due after more than one year				
Corporation tax recoverable	48	-	48	-
	1,488	1,215	4,816	2,012

15. Creditors: Amounts falling due within one year	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Bank loans and overdrafts (secured)	-	17	-	317
Trade creditors	328	290	59	275
Finance leases and hire purchase contracts	27	62	27	62
Amounts owed to subsidiary undertakings	-	-	1,556	2,683
Amounts owed to associated undertakings	-	184	-	184
Group relief payable	-	-	-	17
Corporation tax	394	696	48	155
Other taxes and social security	198	250	-	214
Other creditors	12	2	-	-
Accruals	485	465	424	455
Proposed dividends	193	192	193	192
	1,637	2,158	2,307	4,554

Creditors: Amounts falling due after more than one year

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Due within two to five years:				
Finance leases and hire purchase contracts	18	45	18	45

In conjunction with certain other Group companies the Company has granted a guarantee to the Clydesdale Bank PLC to secure the sterling overdrafts of certain companies in the Group banking facility with the Clydesdale Bank PLC. At 31 December 1995 the aggregate of these advances and borrowings by all parties was nil (1994 - £17,000).

The bank loans and overdrafts are secured by a standard security over certain freehold property of the Company and floating charges over certain of the Group's assets.

# 16. Provision for Liabilities and Charges

	Group	Company
	£000	£000
Deferred Taxation		
Movement in deferred taxation provision:		
At 1 January 1995	143	112
Transfer to profit and loss account	(27)	(160)
Movement in advance corporation tax	48	48
<b>At 31 December 1995</b>	<b>164</b>	<b>-</b>

Deferred taxation is provided in the accounts as follows:	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Capital allowances in advance of depreciation	170	195	35	195
Other timing differences	(6)	(4)	(35)	(35)
Advance corporation tax	-	(48)	-	(48)
	<b>164</b>	<b>143</b>	<b>-</b>	<b>112</b>

The unprovided liability for deferred taxation is as follows:	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Capital allowances in advance of depreciation	144	125	-	125

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

There is a potential liability of £511,000 which would arise if the revalued investments were sold at their revalued amounts. This has not been provided for in the accounts as there is no intention, in the foreseeable future, to dispose of those investments.

# 17. Share Capital

	1995	1994
	£000	£000
Authorised:		
22,000,000 ordinary shares of 10p each	2,200	2,200

Allotted, called up and fully paid:		
19,308,565 (1994 - 19,212,565) ordinary shares of 10p each	1,931	1,921

During 1995 the following new ordinary shares of 10p each were issued:

Date of issue	No. of shares	Reason for issue	Issue price
12 May 1995	5,000	Executive Share Option Scheme	34p
15 June 1995	35,000	Executive Share Option Scheme	48p
14 July 1995	40,000	Executive Share Option Scheme	34p
14 July 1995	15,000	Executive Share Option Scheme	48p
21 November 1995	1,000	Executive Share Option Scheme	80p
<b>Total</b>	<b>96,000</b>		

No further shares were issued between 1 January 1996 and 2 April 1996.

### 18. Share Options

The Company has granted options under the Executive Share Option Scheme and at 31 December 1995 the following options were outstanding:

Shares		Option Price	Normal Exercise Dates
1995	1994		
375,000	420,000	34p	1/7/92 - 30/6/99
—	50,000	48p	5/6/95 - 4/6/02
35,000	40,000	80p	11/11/95 - 10/11/02
396,000	396,000	125p	1/7/96 - 30/6/03
27,000	30,000	130p	1/7/97 - 30/6/04
60,000	60,000	220p	10/12/97 - 9/12/04
<b>893,000</b>	<b>996,000</b>		

Before any of the share options granted under this scheme can be exercised the Group must first have achieved an earnings per share growth target. In addition, for those options granted at 34p certain additional profit related targets had to be met before July 1992 before the options became exercisable.

Details of the Directors' options which are included in the above figures are shown in note 4 to the accounts.

### 19. Reserves

	Share Premium Account	Revaluation Reserve	Other Reserves	Profit & Loss Account
	£000	£000	£000	£000
<b>Group:</b>				
<b>At 1 January 1995</b>	2,683	131	(83)	1,693
Issue of new shares	30	—	—	—
Exchange differences on retranslation	—	—	27	—
Profit for year	—	—	—	297
<b>At 31 December 1995</b>	<b>2,713</b>	<b>131</b>	<b>(56)</b>	<b>1,990</b>

Other reserves comprise a capital reserve on consolidation of £30,000 (1994 – £30,000) and exchange losses on retranslation of £86,000 (1994 – £113,000).

#### Company:

<b>At 1 January 1995</b>	2,683	1,508	—	233
Issue of new shares	30	—	—	—
Movement on revaluation	—	547	—	—
Transfer	—	(121)	—	(10)
Loss for year	—	—	—	(92)
<b>At 31 December 1995</b>	<b>2,713</b>	<b>1,934</b>	<b>—</b>	<b>131</b>

20. Movement in shareholders' funds	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Profit for the financial year	490	1,037	101	541
Dividends	193	192	193	192
	297	845	(92)	349
Other recognised gains and losses relating to the year	27	(10)	416	517
New share capital subscribed (net of issue costs)	40	1,259	40	1,259
	364	2,094	364	2,125
Shareholders' funds at 1 January	6,345	4,251	6,345	4,220
Shareholders' funds at 31 December	6,709	6,345	6,709	6,345

#### 21. Pension Commitments

The Group operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £117,000 (1994 – £59,000). Contributions totalling £nil (1994 – £nil) were payable to the funds at the year end.

22. Other Financial Commitments	1995		1994	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group:				
Operating leases which expire:				
Within one year	12	1	15	11
In the second to fifth years inclusive	–	36	–	17
Over five years	23	–	23	–
	35	37	38	28
Company:				
Operating leases which expire:				
Within one year	–	–	8	10
In the second to fifth years inclusive	–	–	–	17
Over five years	23	–	23	–
	23	–	31	27

Leases of land and buildings are subject to rent reviews.

### 23. Notes to Group Cash Flow Statement

#### (a) Reconciliation of trading profit to net cash inflow from continuing operating activities

	1995	1994
	£000	£000
Trading profit	768	1,966
Decrease in intangible assets	-	207
Depreciation on tangible fixed assets	569	654
Loss/(gain) on sale of tangible fixed assets	3	(2)
Decrease/(increase) in stocks	22	(67)
(Increase)/decrease in debtors	(175)	1,038
(Decrease)/increase in creditors	(168)	203
Release of government grant	(25)	(33)
Exchange difference on retranslation	27	(10)
<b>Net cash inflow from continuing operating activities</b>	<b>1,021</b>	<b>3,956</b>

#### (b) Cash and cash equivalents

	1995	1994
	£000	£000
<b>Changes during the year:</b>		
At 1 January	2,415	(1,831)
Net cash (outflow)/inflow	(361)	4,246
<b>At 31 December</b>	<b>2,054</b>	<b>2,415</b>

	1995	Change in year	1994	Change in year	1993
	£000	£000	£000	£000	£000
<b>Analysis of balances:</b>					
Cash at bank and in hand	2,054	(378)	2,432	2,306	126
Bank overdrafts	-	17	(17)	1,940	(1,957)
<b>At 31 December</b>	<b>2,054</b>	<b>(361)</b>	<b>2,415</b>	<b>4,246</b>	<b>(1,831)</b>

#### (c) Analysis of changes in financing during the year

	1995		1994	
	Share Capital (including premium)	Lease obligations	Share Capital (including premium)	Lease obligations
	£000	£000	£000	£000
At 1 January	4,604	107	3,345	36
Inception of finance lease and hire purchase contracts	-	-	-	143
Repayment of principal on finance leases and hire purchase contracts	-	(62)	-	(72)
Issue of new shares	40	-	1,259	-
<b>At 31 December</b>	<b>4,644</b>	<b>45</b>	<b>4,604</b>	<b>107</b>

## 24. Group Undertakings

### (a) Principal operating group undertakings at 31 December 1995:

	Country of registration (or incorporation) and operation	Class of Shares	Proportion held	Nature of business
<b>Oil &amp; Gas Division</b>				
Ramco Oil & Gas Limited	Scotland	Ordinary	100%	Oil and gas development projects
Ramco Hazar Energy Limited (1)	Scotland	Ordinary	100%	Oil and gas development project
Ramco Energy (Tyumen) Limited (1)	Scotland	Ordinary	100%	Oil and gas development project
<b>Oil Services Division</b>				
Ramco Oil Services Limited	Scotland	Ordinary	100%	Holding company
Ramco Oil Services International Limited (2)	Scotland	Ordinary	100%	Holding company
Ramco Norway A/S (3)	Norway	Ordinary	100%	Tubular services
Ramco Tubular Services Limited (2)	Scotland	Ordinary	100%	Tubular services
Ramco Pipeline Services Limited (2)	Scotland	Ordinary	100%	Pipeline coating

In addition there are a number of dormant subsidiary undertakings.

### (b) Associated undertakings at 31 December 1995:

Ramco Alnas Limited	Scotland	Ordinary	50%	Pump sales
Ramco Alnas Inc (4)	USA	Ordinary	50%	Pump sales
Ramco Canada Limited (3)	Canada	Ordinary	50%	Tubular services

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

(2) Shares held by Ramco Oil Services Limited.

(3) Shares held by Ramco Oil Services International Limited.

(4) Shares held by Ramco Alnas Limited.

In addition Ramco Energy (Tyumen) Limited has an interest in an unincorporated associated undertaking.

This undertaking was established, with some external non-recourse financing, to carry out an oil and gas feasibility study in western Siberia. If the project progresses the undertaking may become a subsidiary of Ramco Energy (Tyumen) Limited.

**Report of the Auditors****To the members of Ramco Energy plc**

We have audited the accounts on pages 26 to 44.

**Respective responsibilities of Directors and Auditors**

As described on page 22, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1995 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
Aberdeen  
24 April 1996

# Notice of Meeting

## TO ALL SHAREHOLDERS

Notice is hereby given that the 18th Annual General Meeting of the members of Ramco Energy plc will be held at The Marcliffe at Pittfodels, North Deeside Road, Aberdeen on 29 May 1996 at 12.30 pm to conduct the following business:

1. To receive the report of the Directors, the accounts for the year ended 31 December 1995, and the report of the Auditors thereon and to declare a final dividend of 1p per Ordinary Share.
2. To consider the re-appointment of N S Cumming, who retires by rotation and being eligible offers himself for re-election as a Director.
3. To consider the re-appointment of M N Burchell, who retires by rotation and being eligible offers himself for re-election as a Director.
4. To re-appoint Coopers & Lybrand as Auditors of the Company.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. As special business to consider the following Resolution:  
That the authorised share capital of the Company be increased to £3,000,000 by the addition of 8,000,000 ordinary shares of 10p each, ranking *pari passu* in all respects with the existing ordinary shares of the Company.
7. As special business to consider the following Resolution:  
That in accordance with Article 19 of the Articles of Association of the Company, the Directors be and they are hereby authorised pursuant to and in accordance with section 80 of the Companies Act 1985 ("the Act"), to allot relevant securities (as defined in the said section 80) up to the amount of the unissued 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.
8. As special business to consider the following Resolution as a Special Resolution:  
That the Directors be and are empowered to allot equity securities for cash pursuant to the Executive Share Option Scheme.
9. As special business to consider the following Resolution which will be proposed as a Special Resolution:  
That in accordance with Article 20 of the Articles of Association of the Company, the Directors be and they are hereby empowered pursuant to and in accordance with section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (as defined in section 94 of the Act) for cash as if sub-section 89(1) of the Act did not apply to the allotment of equity securities pursuant to the provisions of that Article, provided that i) for the purpose of paragraph (c) of that Article the nominal amount shall not exceed £96,000, and ii) this power shall expire on the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after its expiry.
10. As special business to consider the following Resolution which will be proposed as a Special Resolution:  
That the Articles of Association of the Company be and they are hereby amended as follows:
  - i) by deletion of the existing Article 50 of the Articles of Association of the Company and the substitution of the following:  
"50 Directors' Power to Refuse to Register Transfer  
The Directors may, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of shares not fully paid up provided that, where any such shares are admitted to the Official List of the London Stock Exchange or are dealt in on the Unlisted Securities Market or on the Alternative Investment Market, such discretion may not be exercised in such a way as to prevent dealings in these shares from taking place on an open and proper basis. The Directors may also refuse to register any transfer of shares on which the Company has a lien.";
  - ii) by deletion of the word "six" where it appears in Article 89(b) of the Articles of Association of the Company and the insertion in substitution thereof of the word "seven";
  - iii) by deletion of Article 103(c) of the Articles of Association of the Company and the substitution of the following:  
"(C) Save as herein provided, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) and if he shall do so, his vote shall not be counted. A Director shall not be counted in the quorum at a meeting in relation to any Resolution on which he is debarred from voting.";
  - iv) by deletion of Article 103(D)(iv) and the substitution of the following:  
"(iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in Sections 198 to 211 of the Companies Act 1985) representing 1% or more of either any class of the equity share capital, or the voting rights, in such company."
11. To transact any other competent business.

By order of the Board

S R Bertram

Secretary

4 Rubislaw Place, Aberdeen AB10 1XN

1 May 1996

Every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him.

A proxy need not be a member of the Company.

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

A statement of all transactions of each Director and his family interests in the shares of the Company.

Copies of all service contracts of the Directors with the Company or any of its subsidiaries.

# Five Year Record

	1991 £000	1992 £000	1993 £000	1994 £000	1995 £000
Turnover	4,111	5,426	4,781	7,574	6,893
Cost of sales, administrative expenses and interest	3,723	5,213	4,580	5,696	6,069
Share of results of associated undertakings	138	136	122	(254)	(70)
Profit on ordinary activities before taxation	526	349	323	1,624	754
Tax charge on ordinary activities	124	33	217	587	264
Profit on ordinary activities after taxation	402	316	106	1,037	490
Dividends	337	169	91	192	193
Profit for the year	65	147	15	845	297
Dividend per share	2p	1p	0.5p	1p	1p
Earnings per share	2.39p	1.88p	0.60p	5.56p	2.54p
Average number of shares in issue	16,842,065	16,842,065	17,541,955	18,650,335	19,260,565

The financial information presented above is based on the audited consolidated accounts for each of the five years as amended by Financial Reporting Standard No. 3.

All of the Group's activities over the five year period relate to continuing operations.



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AB10 1XN

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Moscow  
Malyi Afansayevski pereulok, 1/33  
Apartment 15

**Ramco Oil Services Limited**  
**Ramco Alnas Limited**  
Badentoy Road  
Badentoy Park  
Portlethen  
Aberdeen  
AB12 4YA

**Ramco Oil & Gas Limited**  
263 High Street  
Dorking  
RH4 1RL

**Ramco Hazar Energy Limited**  
P.O. Box 370004  
Prospect Neftyanikov  
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