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Ramco is an entrepreneurial energy and oil services company focused on oil and gas exploration and production. We are committed to delivering significant returns to shareholders through applying our unique blend of technical, commercial and regional political skills to a carefully selected portfolio of assets.

YEAR IN REVIEW

JANUARY

Ramco spuds appraisal well on Muradkhanli field (MOC-01), the first well to be drilled onshore Azerbaijan under a Production Sharing Agreement (PSA)

Installation and commissioning of the upgraded pipe coating facilities at the British Steel Ramco plant in Hartlepool are successfully completed

MARCH

Ramco announces that the appraisal well MOC-01 has encountered oil and that a potential new geological play has been identified

APRIL

Ramco acquires a 70% interest in a Licensing Option in the Donegal Basin off north west Ireland

JUNE

Ramco acquires a 60% interest in a Licensing Option over the Galley Head field in the North Celtic Sea Basin off the southern coast of Ireland, close to its existing Seven Heads interest

JULY

Ramco announces agreement with Amerada Hess for the sale of its 2.0825% carried interest in the ACG field, offshore Azerbaijan for US$150 million

OCTOBER

Following disappointing initial test results from the Muradkhanli well Ramco announces the temporary suspension of the well while workover options and further testing options are considered

NOVEMBER

Ramco announces its intention to terminate its American Depositary Receipt programme by de-listing from the American Stock Exchange by the end of the year

David Boyle replaces Samuel Zell as a Non-Executive Director on the Board

DECEMBER

Ramco and RWE-DEA AG (RWE) sign a Memorandum of Understanding over Ramco's Carpathian acreage in southern Poland. RWE are to operate and earn a 50% interest through funding the next US$6 million of an agreed work programme

Following conclusion of the ACG consortium's pre-emption process Ramco announces the successful completion of the sale of its 2.0825% carried interest in the ACG field to Amerada Hess, Devon Energy and Unocal for US$150 million

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Stephen E Remp (53) BA MA HonDTech

Appointed August 1977. Steve Remp is Chairman and Chief Executive of Ramco Energy plc. A native American, Steve came to Scotland in 1971 and in 1977 founded Ramco. Steve was educated in Europe and the US, obtaining a BA in Economics from Claremont College in California and an MA in International Economics from the School of Advanced International Studies, Johns Hopkins University, Washington DC.

Steven R Bertram (41) MA(Hons) CA

Appointed March 1991. Steven Bertram, Group Financial Director of Ramco Energy plc, has been with Ramco since 1986. Steven has guided Ramco's financial affairs since its USM listing through its move to AIM. Steven has a MA Honours Degree in Economics with Accountancy from the University of Aberdeen and qualified as a Chartered Accountant with Arthur Young in 1984.

Michael N Burchell (60) BSc(Hons)

Appointed December 1994. Michael Burchell, as Managing Director of Ramco Oil & Gas Limited, has been responsible for the Company's energy interests since 1991. Mike retired on 31 March 2001.

N Stewart Cumming (52)

Appointed January 1988. Stewart Cumming, Managing Director of Ramco Oil Services Limited, joined the Ramco management team as a founder member when the Company was formed in 1977. Since then he has been responsible for the management and highly successful development of the Company's oil services operations.

NON-EXECUTIVE DIRECTORS

Rt Hon Sir Malcolm Rifkind (54) KCMG QC

Appointed August 1997. Sir Malcolm Rifkind, formerly UK Defence Secretary and UK Foreign Secretary, brings to the Company extensive knowledge and high level contacts throughout central and eastern Europe and central Asia. His skills encompass an unrivalled understanding of the regional political dynamics in our areas of interest and his advice to the Board continues to prove of considerable value. Malcolm is a member of the Audit and Remuneration Committee.

Peter Everett (69) SPMB BSc CBIM

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

David Boyle (58)

Appointed November 2000. David Boyle is the most recently appointed Non-Executive Director and is also a member of the Company's Audit and Remuneration Committee. David has had a long career in corporate finance and asset management, holding positions within Mercury Asset Management (1986-97), Rowan Investment Managers (1982-86), and Morgan Grenfell (1965-82). David is also Non-Executive Director of Herald Investment Fund plc and Lorien plc.

The goal of the new management team is twofold. Firstly, to develop robust cash flow from producing assets through advancing projects such as Seven Heads and Galley Head. Secondly, to achieve material drilling successes from the projects in our portfolio of exploration interests. We believe we are in a strong position from which to advance this strategy.

2000 has been an exciting and successful year for Ramco. Ten years after our pioneering efforts began in the Caspian region, the Company disposed of its 2.0825% carried interest in the supergiant Azeri Chirag Gunashli field (ACG), offshore Azerbaijan, for £101 million (US$150 million). For what started as a small North Sea oil services company, this is a remarkable achievement.

The sale of this interest has resulted in a gain on disposal of £61.5 million after costs, bonuses and provision for tax, reflecting the fact that the recorded value of the underlying asset was zero, as our interest was carried. This has transformed our balance sheet and cash position, US$55 million having been received since the year end. Two further instalments of US$45 million each, due in February 2002 and February 2003 are generating interest at above LIBOR, and a further US$5 million is contingent on a future event.

Our participation in this project has not only brought us this substantial profit but, just as importantly, has confirmed our reputation as an entrepreneurial energy company capable of forming partnerships with much larger energy companies.

Shareholders will be aware of the disappointing news regarding our Muradkhanli prospect, onshore Azerbaijan. Towards the end of last year we announced that initial test results had been disappointing. Since then, further tests have confirmed that the oil in place is unlikely to be commercially recoverable due to poor reservoir characteristics. The rehabilitation of the wells providing the existing limited oil production from the contract area is unlikely to be commercial without the added production that had been expected from the deeper reservoir. The potential prize, which had eluded the State Oil Company of the Azerbaijan Republic (SOCAR), was over 3 billion barrels in place. From the beginning we acknowledged the complicated geology, which we believed, with good oilfield practice and western technology, had the potential to deliver many millions of barrels. In the end it was the geology which won. The field will now be operated on a care and maintenance basis until we are contractually entitled to return it to SOCAR in November of this year.

I wish to take this opportunity to thank all those who gave so much of their time and effort in working as a close-knit team trying to make the project a commercial success. This includes our own and SOCAR's Baku staff, our UK staff as well as the sub-contractors who supported our efforts throughout.

In 2000, Group turnover rose to £14.5 million from £11.2 million in 1999. The gain recognised on the sale of our ACG interest has ensured record Group profits, despite the disappointment and associated write off of £16.2 million on the Muradkhanli project. A Group pre-tax profit of £68.7 million has been recorded, compared with a restated loss of £4.4 million in 1999. After providing for taxation, including corporation tax on the capital gain, an after tax profit of £40.8 million has been transferred to reserves (1999: a restated loss of £4.8 million).

The impact of the ACG disposal on the Group balance sheet has resulted in net assets rising to £92 million at 31 December 2000, from £52 million as restated at 31 December 1999. Until 31 December 1999, Ramco accounted for oil and gas expenditure under the "full cost" method. In the opinion of the Directors, having considered the size, geographical spread and maturity of the Group's oil and gas assets, the "successful efforts" treatment of exploration and development expenditure is now more appropriate. The Board has therefore decided to adopt the "successful efforts" method of accounting for exploration and development expenditure, with effect from 1 January 2000. This has led to the 1999 accounts being restated to reflect this change in accounting policy. This more prudent accounting policy has resulted in the write-off of pre-licence expenditures, together with general and administrative overheads and other costs previously capitalised.

Seated far right: Steve Remp with Steven Bertram

The Board is not recommending payment of a dividend (1999: nil).

During 2000, we added two new projects to our Irish interests, Galley Head, adjacent to our existing Seven Heads project, and Donegal Basin. The technical work on Seven Heads and Galley Head has progressed well, and we are currently awaiting the conversion of our existing Seven Heads Licensing Option to a Lease Undertaking. This will allow us to drill an appraisal well this year. New seismic acquired during 2000, together with all of the well information from the four wells drilled into the structure between 1974 and 1990 by Esso and Marathon, has enabled an independent engineer's report to confirm gas initially in place, across the two prospects, of approximately one half trillion cubic feet.

Our strong balance sheet puts us in the flexible position of being able to fast-track the development of Seven Heads and Galley Head if the appraisal programme is successful. These fields are close to existing gas transmission infrastructure and gas produced will be sold into the rapidly expanding Irish market where there is currently a shortage of domestically produced gas. Our share of the estimated capital expenditure over a three year development period is approximately $100 million, and we are advised that a substantial part of this expenditure should qualify for roll-over relief of the capital gain created by the ACG sale. Roll-over would have the effect of deferring the payment of corporation tax on this capital gain for ten years. During the development period we will investigate the possibility of raising project specific finance, and confirm the interest being shown in purchasing any gas production.

The extent of Ramco's final participating interest in the Seven Heads project will be determined on the basis of costs paid under the Licensing Option and is expected to be at least 45%. In Galley Head our interest is 60% and there are plans to move from the Licensing Option to either an Exploration Licence or a Lease Undertaking later in the year.

The Donegal Basin acreage is an exploration opportunity off the North West coast of Ireland, where Ramco holds a 70% interest and initial seismic interpretations are encouraging.

Steady progress has been made with Shallow Water Gunashli (SWG), our other interest in Azerbaijan. TotalFinaElf is close to completing its technical studies, and is due to discuss the way forward with SOCAR shortly.

Towards the end of 2000, we announced a provisional agreement with the German utility company, RWE-DEA Aktiengesellschaft für Mineraloel und Chemie (RWE), which will partner Ramco in our exploration project in southern Poland. We expect this arrangement to be formalised shortly, when

RWE will take over as Operator and pay the next tranche of project expenditure, which covers the drilling of at least one well this year.

Our other exploration projects in Georgia, Montenegro and Romania are all at a stage where we are preparing either to farm-out or to drill ourselves. Current plans should see Georgia and Romania drilled during 2001 with the possibility of a well offshore Montenegro to further evaluate the strong indicators of shallow gas accumulations seen on the seismic.

Additionally, we are close to completing negotiations which should add new exploration acreage to our portfolio.

In September 2000 we advised shareholders of the difficulties we had encountered with Moravské Naftové Doly a.s., (MND), our partner in the Czech Republic. In July 2000, MND purported to terminate the contracts under which we work with them on the exploitation of several prospective areas in the Czech Republic. We consider that MND was not entitled to terminate our contracts unilaterally. It has proved impossible to resolve this dispute amicably and MND has now initiated arbitration proceedings in which Ramco's operating subsidiary has filed a preliminary reply and counter claim. Ramco intends to pursue its claims vigorously seeking either the continuation of the association according to its agreed terms or a satisfactory financial settlement.

During 2000 we decided to close our oil and gas office in Dorking, Surrey, and to relocate its function to a new larger Head Office in Aberdeen. This process should be completed before the end of 2001 and will lead to a reduction in future costs, greater efficiency and other significant benefits of centralisation.

Shareholders will have seen our recent announcement of Mike Burchell's retirement from the Company at the end of March, 2001. Mike played an important role in the Company's transformation from purely oil services to a successful exploration and production company. I join his many friends and colleagues at Ramco in wishing him well in his future plans.

The E&P business is now being run by a new four person Senior Executive team comprising Steven Bertram, Group Financial Director, Michael Seymour, Senior VP Exploration, Dan Stover, Senior VP Project Development, and myself. Michael Seymour has been with Ramco since we acquired his company, Medusa, in 1997, and Dan joins us from Blue Circle Industries PLC after a successful career in the oil industry, first as North Sea Production Manager with Marathon and subsequently as a VP with Halliburton.

On 23 November 2000 we announced Sam Zell's retirement as a Non-Executive Director and I wish to take this opportunity of thanking him once again for his support, enthusiasm, sense of humour and unique way of tackling business opportunities. Sam's retirement coincided with the end of our listing on the American Stock Exchange as most of the American Depositary Receipts (ADR's) had been converted back into the underlying ordinary shares traded on the Alternative Investment Market (AIM). Sam has been replaced on the Board by David Boyle who has had a long career in London based fund management including 11 years with Mercury Asset Management. His extensive experience will be of great value.

Despite the increase in the price of oil during 2000, there was no improvement in the low levels of expenditure by operators in the North Sea, primarily because expenditure budgets were set before the barrel price increased. Against this background, Ramco Oil Services demonstrated the resilience of its business by putting in a creditable performance with increased market share.

The pipeline coating operation, which is unaffected by oil price fluctuations, has reported a significant improvement on the results of the previous year following the extensive up-grade to the facilities in Hartlepool, jointly owned with Corus, which were completed during the last quarter of 1999.

The outlook for Oil Services in 2001 is excellent given increased expenditure budgets by North Sea operators and higher levels of industry confidence worldwide. Increased UK expenditure should benefit our Badentoy operation in particular.

Oil prices, while volatile, remain at levels which are conducive to increased industry spending on exploration and production. During the oil price crash of 1998, many larger companies curtailed their exploration spending and now find themselves with a shortage of such projects. We believe that we have created a portfolio of high impact projects, which will be of interest to larger industry players.

The goal of the new management team is twofold. Firstly, to develop robust cash flow from producing assets through advancing projects such as Seven Heads and Galley Head. Secondly, to achieve material drilling successes from the projects in our portfolio of exploration interests. We believe we are in a strong position from which to advance this strategy.

STEPHEN E. REMP
Chairman & Chief Executive

Montenegro is a natural gem, rising spectacularly from the deep turquoise Adriatic sea to towering mountain summits averaging more than 7000 feet. The north has harsh, snowy winters with dense forests of beech and pine surrounding lakes from which clear, fast-moving mountain streams wind their way through some of the deepest canyons in the world. In the south the mountains fall away dramatically to the beaches and mild Mediterranean climate of the Adriatic coast.

Previous page: Portrait of King Nikola; The Treaty of Berlin of 1878 and the Montenegrin coat of arms.

In ancient times 'Crna Gora', or 'Black Forest' was part of the Roman Empire, then conquered by the Slavs and, later the Ottoman Empire. Montenegro's fiercely independent people never accepted Turkish rule and centuries of battle led to a flourishing period of independence under the Petrovich-Nyegosh dynasty, where at last the Montenegrin national identity was formed, laying the foundations of the state by creating a senate, lower court, and other key reforms.

In 1878 Montenegro's independence was recognised and the last member of the dynasty, Prince Nicholas was declared king in 1910. Montenegro was by then internationally recognised with 15 embassies established in the capital, Cetinje.

However, after the 1st World War, a movement to unite Serbs and other Slavic peoples gathered strength, deposing the king, and Montenegro became part of Yugoslavia.

Steve Remp in old town Kotor with Nikola Dragomanovic, General Manager of Jugopetrol-Kotor.

After World War II, Montenegro became one of the 6 federal republics of communist Yugoslavia. When the union disintegrated in 1992, Montenegro and Serbia agreed to form a new, smaller Yugoslavia.

Steve Remp meets president Djukanovic in Montenegro.

'Honour and Bravery' is the leitmotif of the Montenegrin people. This small country with a population of 600,000 is determined to maintain its national identity. Its government and parliament, under the leadership of president Djukanovic, rules from the capital, Podgorica, paving the way to international recognition of Montenegro as a modern, democratic country.

"At the moment of birth of our planet, the most beautiful meeting of land and sea was on the Montenegrin coast"

LORD BYRON (1788- 1824)

A Study of Montenegro's Petroleum Geology

The ancient turmoil which precipitated Montenegro's dazzling beauty has potential to yield excellent oil and gas prospects for the modern world.

60 million years ago in the mid Mediterranean area Africa and Europe slid inexorably towards each other. Where they collided, their front edges shattered into smaller fragments which broke off, were pushed around and climbed over each other, only coming to rest millions of years later.

The area occupied today by the Adriatic Sea represents one of these fragments which, during the Eocene and Oligocene periods, found itself squeezed from east and west with relatively young and unconsolidated sediment pushed up and over the Adriatic Platform to form the Italian Apennines and the Dinaric Alps, making up the mountainous core of Croatia, Bosnia, Montenegro, inland Albania and Northern Greece.

The spectacular mountain front forming Montenegro's coastline is, in effect, a mirror image of the Apennine front in Italy where recently there have been discoveries of over 2 billion barrels of oil in the Southern Apennines and along the East coast.

Montenegro, as a mirror image of these discoveries, offers similar major oil potential from large structures in the deeper plays beneath the mountain front and also gas potential in the younger sedimentary basin to the immediate West.

Four wells were drilled in these waters in the 1980s, one flowing some oil and two of the others having good gas shows. Ramco's work started in 1998, reprocessing old seismic data and acquiring a further 775km of new data which is now being processed and interpreted. Initial evaluation suggests that the many different play types are confirmed and work is now commencing to prioritise these and select the first location for drilling, probably in early 2002.

Opposite:
OIL AND GAS PLAYS OFFSHORE MONTENEGRO.
Gas (red) in shallow sands and oil (green) in deeper limestone reservoirs are two of the major plays in the Ulcinj Block 3.

The disposal of our ACG interest has, apart from enabling record profits to be reported, strengthened our balance sheet and ensured that we have finance in place to allow us to move ahead with our other exploration and development opportunities.

The decision to sell our main producing asset during 2000 was taken against the background of a strong oil price. Our 2.0825% carried interest in the ACG Field, offshore Azerbaijan, had commenced generating cash flow towards the end of 1999, albeit at modest levels. However, the real benefits of that interest to Ramco were still many years away and required a major new export pipeline from the Caspian Region to be designed and built before they could be received. The proceeds of the sale totalled US$150 million and in the near term will generate more cash flow from interest earned than we would have received from retaining our interest in the project. The disposal of our ACG interest has, apart from enabling record profits to be reported, strengthened our balance sheet and ensured that we have finance in place to allow us to move ahead with our other exploration and development opportunities.

AZERBAIJAN

MURADKHANLI (Ramco 50%)

Muradkhanli, onshore Azerbaijan, saw much activity during 2000 as we repaired leaking wells and refurbished ailing infrastructure in preparation for our first well. The well was completed after encountering many technical difficulties including highly over pressured horizons. Unfortunately the encouraging oil flows experienced while we were drilling were not sustained when the well was completed and tested, and after a final series of tests, a decision was taken to suspend the well. We are now in discussions with SOCAR over the future of the field, as we have been unable to deliver the increased oil production required by our Production Sharing Agreement.

GEORGIA

KAHETI BLOCK X (Ramco 100%)

Plans to drill our first well in Georgia during 2000 were delayed in part due to rig availability and in part as a result of unrest along the country's border with Chechnya. That situation has improved and we are currently aiming to drill later this year. Drilling is expected to take around 30 days with a dry hole cost of US$1.7 million. Our block has several drillable structures identified, the largest of which has the potential to hold over 100 million barrels of oil.

MAGNETIC DATA IN KAHETI BLOCK X, REPUBLIC OF GEORGIA. In structurally complex areas such as Block X, a combination of geophysical techniques (magnetic, gravity and seismic) and surface geological mapping have been used to identify prospective structures.

ROMANIA

MOINESTI BLOCK VI (Ramco 49%)

Ramco's Moinesti Block lies in the heart of some of Romania's oldest oil producing territory. Much of the existing oil production comes from shallow fields but our objective lies deeper in the Carpathian thrust belt. The seismic programmes we have completed over the past few years have confirmed substantial drillable structures and the largest of these, Poduri, has been prepared for drilling. We expect to commence drilling in the third quarter of 2001, the programme lasting approximately 100 days with a dry hole cost of $4.7 million.

Should this prospect be commercial, there are several other similar structures elsewhere within our acreage. There is good existing infrastructure with strong demand for both oil and gas, locally.

PODURI 1.
The Kliwa Sand (purple) is an important oil reservoir in the Romanian Carpathians, and is the main target of Ramco's planned Poduri 1 well.

BULGARIA

OFFSHORE ~ SHABLA BLOCK 91-1 (Ramco 65%)

The re-evaluation of the Shabla Block 91-1 following 1999's unsuccessful offshore well led to the decision not to carry out further drilling and the licence has since been relinquished. Our relationships within Bulgaria remain good and we are currently trying to finalise further projects within the country.

MONTENEGRO

OFFSHORE ~ ULCINJ (Ramco 51%)

During 2000 we completed reprocessing the existing seismic data we had acquired and were very encouraged by the results, which showed a number of substantial structures capable of containing significant hydrocarbon reserves. In order to gain better definition of some of the bigger structures we acquired 775km of further 2-D seismic in May 2000 and we are now incorporating the results into our geological model. This model shows separate plays within our acreage, for relatively deep oil within Mesozonic Carbonate reservoirs and, also for gas in the younger shallow part of the section. Interest has been expressed by third parties in farming into our acreage and plans are being prepared for drilling in 2002.

STRUCTURES IN MONTENEGRO. Plate tectonic movements between Italy and the Balkans are causing closure of the Adriatic Sea. This has resulted in a combination of rapid subsidence, and the development of large fold and thrust structures on both flanks of the Adriatic.

BUDVA PROSPECT - SCHEMATIC CROSS-SECTION

Pliocene to Recent

Eocene/Miocene Flysch

Jurassic/Cretaceous Carbonate

Triassic

CZECH REPUBLIC

KARLIN LICENCE (Ramco 48%)

The modest production we had established in the Czech Republic since acquiring Medusa in 1997 was interrupted during 2000 by what we believe to be unlawful action by our local partner, MND. Our efforts to reach an amicable resolution to the dispute were unsuccessful and the matter was referred to arbitration in Prague. Both parties have filed detailed claims and counter claims and a formal hearing before three arbitrators is scheduled for June 2001. We have employed an experienced team of advisers and are making every effort to protect Ramco's interests. MND's actions have prevented us maximising the potential of the discovery and recovering the investment made to reach this stage.

BREZI-MIKHOLOV AND BULHARY (Ramco 85%)

All work on these exploration blocks ceased as a result of the dispute with MND.

POLAND

CARPATHIAN BLOCKS (Ramco 100%)

The geological and geophysical work completed during the past few years has helped identify a number of substantial drillable structures on our acreage. We announced in December 2000 that we had reached a preliminary agreement with German utility company RWE-DEA Aktiengesellschaft für Mineraloel und Chemie (RWE) for them to join the project and take over as Operator. We are close to finalising the agreements which will leave Ramco with 41.5% interest carried through further costs, other than our share of overheads, until September 2002. This will enable the acquisition of additional 2-D seismic, some 3-D seismic and two wells to be drilled. The first well is currently planned for drilling in late 2001.

POLISH CARPATHIANS. A simplified cross-section across the Ropa Prospect in the Carpathian mountain belt. The Prospect forms part of a 'Passive Roof Duplex' and lies beneath the Ropa Window, a surface anticline with oil seeps. Thick sandstone reservoirs are expected to be tectonically stacked within thrust sheets ('horses').

IRELAND

*OFFSHORE ~ SEVEN HEADS FIELD (Ramco 48%)**

Progress on our Seven Heads project has been excellent and an application to convert our Licensing Option to a Lease Undertaking is currently being considered by the Irish Authorities. The reprocessing of existing seismic, together with new seismic shot during 2000, have confirmed the presence of a substantial gas bearing structure. The award of a Lease Undertaking will allow us to drill up to two appraisal wells this summer. The wells will be designed to confirm the deliverability of the gas and should provide the information necessary to confirm that development will be economically viable, even if that requires an independent pipeline to shore.

OFFSHORE ~ GALLEY HEAD FIELD (Ramco 60%)

This prospect lies approximately half way between the Seven Heads structure and the Irish Coast and could provide an additional reserve base to further enhance the economics of gas production in the area. It is the current intention of the investor group to seek an Exploration Licence over this acreage when the current Licensing Option expires later this year. A well could then be scheduled for 2002.

OFFSHORE ~ DONEGAL BASIN (Ramco 70%)

Early in 2000 Ramco, together with Sunningdale Oil (Ireland) Limited and Island Petroleum Development Limited were granted a Licensing Option over Blocks 13/7, 13/12(N) and 13/11(NE). Since then we have completed initial technical studies including the acquisition and interpretation of seismic and are encouraged enough by this initial work to have requested an extension to the Licensing Option. This extension, if granted, would enable additional work to be completed before electing to move to an Exploration Licence, and farm out.

OFFSHORE ~ FASTNET (Ramco 14.5%-4.75% carried)

Ramco originally held this small interest through its acquisition of Medusa and subsequently sold it and other small interests in 1999. As this block had a well commitment the purchaser retained the option to give the interest back to Ramco if they were unsuccessful in funding their share of the commitment well. That option has recently been exercised and the block operator EDC (Europe) Limited is shortly due to drill the commitment well. Our share of the costs are budgeted at approximately US$ 900,000.

48/24-3 48/24-1 48/28-1

Perspective diagram on the main reservoir looking towards the south east. Seven Heads is a large but low relief faulted anticline with gas at approximately 3,000ft and with deeper heavy oil. The locations of three of the existing wells are shown.

* Estimate - final interest to be determined based on expenditure during phase 1.

OTHER OPPORTUNITIES

AZERBAIJAN ~ SHALLOW WATER GUNASHLI

Extensive technical studies have been concluded by Ramco's partner, TotalFinaElf. These studies confirmed that substantial recoverable reserves remain to be developed. The field is currently producing over 100,000 bpd for SOCAR and the next phase of negotiations will involve seeking a mechanism that allows for additional investment in the field and for that investment to be recouped from the resulting enhanced production.

Several other prospects have been identified and application made, for which we are awaiting approval, for the award of acreage.

MICHAEL BURCHELL
Managing Director - Ramco Oil & Gas

OIL & GAS INTERESTS

as at 31 December 2000

Country	Licence	Effective Interest (%)	Operator
AZERBAIJAN	Zardab/Muradkhanli/Jafarli Rehabilitation & Exploration PSA	50	Ramco
GEORGIA	Kaheti Block X PSA	100	Ramco
ROMANIA	Block VI (Moinesti) PSA	49	Ramco
MONTENEGRO	Ulcinj (Offshore/Onshore) Contract	51	Ramco
POLAND	Carpathian Licences (Areas 434, 435, 454, 455)	100*	Ramco
CZECH REPUBLIC	Karlin Licence	48	MND
	Onshore Brezi-Mikulov Licence	85	MND
	Bulhary Licence	85	Ramco
IRISH REPUBLIC	Seven Heads Licence Area (offshore) Blocks 48/23 (S), 48/24 (S), 48/28 (N) and 48/29 (N)	48**	Ramco
	Galley Head Licence Area (Offshore) Part blocks 48/18, 48/19, 48/24	60	Ramco
	Donegal Licence Area (Offshore) Block 13/7, part blocks 13/11 (NE), 13/12 (N)	70	Ramco
	Fastnet Basin Licence Area (Offshore) Blocks 63/4, 63/8, 63/9 & 63/10	14.5% (of which 4.75% is carried)	EDC

* awaiting finalisation of farm-in by RWE which will leave Ramco with a 41½% interest and RWE as operator.

** estimate, to be adjusted based on phase 1 expenditure.

As a group active in many parts of the world, Ramco is conscious of its responsibilities to understand the diversity of the customs and cultures with which it engages.

As we develop our business in these diverse settings, we recognise our continuing responsibilities to provide support to the communities in which we operate and to safeguard the health and safety of our employees and others involved in our activities. It is a primary objective of the Group to ensure the safety, health and welfare of employees and contractors by striving to achieve compliance with the highest standard of environmental and safety practices in the industry.

Our objectives are to:

- Avoid harm to those involved in or affected by our activities;
- Respect the interests of neighbours and local communities;
- Minimise adverse impact on the environment;
- Comply with applicable laws, regulations, standards and recognised codes of practice;
- Continually monitor and improve performance.

We also recognise, and will respond to, the growing concerns and demands on our industry to ensure protection of the environment. As an example, in Azerbaijan prior to commencing operations, the Muradkhanli Operating Company (MOC) developed an Environmental Protection Programme that was approved by both the State Committee on Ecology and SOCAR. MOC carried out an Environmental Baseline Survey in order to establish the pre-existing environmental status of its concession areas, together with Environmental Impact Assessments for all major projects such as drilling and seismic work. A similar environmental study will be completed before we return the acreage to SOCAR.

Everyone who works for Ramco understands their responsibility for protecting the environment and the health and safety of staff, customers and the communities in which we work.

The outlook for 2001 is excellent given increased expenditure budgets by UK North Sea Operators and higher levels of industry confidence worldwide.

Despite the increase in the price of oil during 2000, there was no improvement in the low levels of expenditure by operators in the North Sea because expenditure budgets were set before the barrel price increased. Against this background Ramco Oil Services demonstrated the resilience of its business by putting in a creditable performance with increased market share.

TUBULAR SERVICES

Turnover and profits from the one stop facility at Badentoy showed an improvement over 1999 reflecting a full year's contribution from the BP contract and the efficiencies arising from significant capital expenditure on additional storage space and on further automation of the tubular servicing process. The upgraded facilities were awarded ISO 9002 accreditation in December 2000. This award is unique in that we now have accreditation for our full range of services including linepipe coating, oilfield tubular refurbishment and inventory management.

Demand for the use of the Pipe Care Unit (PCU) at Airdrie continued at the depressed levels of 1999, and as a result there was no improvement in the performance of this unit.

However, our Norwegian operations at Stavanger and Florø performed strongly in a market where Operators' expenditure was significantly higher than in the UK sector of the North Sea.

The PCU located in Nippon Steel's pipe mill in Japan also performed well given buoyant worldwide demand for the pipe produced from the mill.

PIPELINE SERVICES

The British Steel Ramco (BSR) plant in which we have a 50% interest alongside Corus at Hartlepool underwent a major upgrade in the last quarter of 1999. After commissioning and start up costs incurred in early 2000, the benefits of the upgrade in terms of range of product and increased size capacity showed through in improved turnover and margin.

The plant was awarded the coating contract of 100 km of pipeline for the Bluestream project to transmit gas across the Black Sea. As a result the plant had to be shut for the installation of specialised equipment during October 2000 and the following two months were spent running trials to achieve the necessary plant qualifications. This process resulted in a much reduced fourth quarter contribution from the plant. However, overall Pipeline Services showed a significant improvement in performance over the previous year.

OUTLOOK

The outlook for 2001 is excellent given increased expenditure budgets by UK North Sea Operators and higher levels of industry confidence worldwide. Increased UK expenditure should benefit Badentoy in particular.

Overseas, our Japanese mill operation will close in Spring 2001 following a cessation of seamless oilfield tubular production at the Nippon Steel mill. Production of these seamless tubulars has been transferred to another Japanese mill and we have reached agreement to process some of the tubulars in Norway using our existing plant in Florø.

The Bluestream project is now well underway and as a result of the extensive modifications to the plant late in the year 2000, the project combined with other orders in hand should result in a much improved year for Pipeline Services.

STEWART CUMMING
Managing Director – Ramco Oil Services

Loading pipe for the North Sea at Aberdeen Harbour.

The gain recognised on the sale of our ACG interest enabled a record post tax profit for the financial year of £40.8 million to be recognised compared with a loss of £4.8 million in 1999.

Description of Business

Ramco Energy plc, a Scottish public limited company, and its subsidiaries, joint ventures and associated undertakings form an energy group with two distinct divisions: Oil and Gas, and Oil Services. The Oil and Gas business is actively exploring for, appraising and developing, oil and gas reserves primarily in the Caspian Region and central and eastern Europe and the Oil Services business specialises in downhole tubular maintenance and pipeline coatings, operating in the UK, Norway and Japan. Separate reviews of operations for each division are included on pages 16 to 29.

The Group's shares are quoted on the Alternative Investment Market (AIM) of the London Stock Exchange.

This financial review is intended to assist in the understanding of the Group's results of operations for the year ended 31 December 2000 and of its financial position at that date. The consolidated financial statements and notes included elsewhere contain additional information and should be referred to in conjunction with this review. They have been prepared in accordance with UK Generally Accepted Accounting Principles (GAAP). The comparative figures for 1999 have been restated to reflect prior year adjustments arising from changes to accounting policies; details of these changes are included in note 1 to the financial statements. The key financial data for the last five years is summarised on page 37. Detailed information by business segment can be found in note 2.

Year ended 31 December 2000 compared with year ended 31 December 1999 (all comparative figures restated)

Turnover

Consolidated Group turnover for 2000 was £14.5 million up 29% from £11.2 million in 1999.

Revenue continued to be recognised from the Group's interest in the ACG field until the sale of that interest was declared unconditional in December 2000. This income has enabled the Oil & Gas division to record turnover of £3 million compared with £1.1 million in 1999, a rise of 173%.

Oil Services' turnover rose by 14% from £10.1 million in 1999 to £11.5 million in 2000, reflecting the first full year of its two major tubular maintenance contracts.

Cost of Sales

Group cost of sales rose significantly in 2000 primarily as a result of the write off of the unsuccessful Muradkhanli project. Overall cost of sales rose by 108% from £16.6 million to £34.6 million.

Cost of sales relating to the Oil & Gas division were adversely impacted by the £16.2 million write off of Muradkhanli rising from £9.4 million in 1999 by 177% to £26.0 million in 2000.

Oil Services' cost of sales rose by 21% from £8.1 million in 1999 to £9.8 million in 2000. This reflects the higher turnover achieved and a shift towards additional lower margin logistics and storage revenue as a result of the lower workover activity levels of the North Sea Operators during the year.

Administrative Expenses

Administrative expenses for the Group rose by 31% to £1.7 million from £1.3 million in 1999. This movement reflects a variety of fluctuations the most significant being increased professional fees in connection with the successful conclusion of the litigation with Pennzoil and the foreign currency gain of £144,000 recorded in 1999 (2000: £7,000).

Income from Interests in Joint Ventures and Associated Undertakings

The Group's share of pre-tax profit from its pipeline coating joint venture rose by 34% from £523,000 in 1999 to £701,000 in 2000, reflecting increased activity from the expanded operation in Hartlepool. Additionally, a small contribution to profit was recognised from BTS, an associated undertaking, bringing total income from interests in joint ventures and associated undertakings to £706,000 compared with £523,000 in 1999.

Loss on Ordinary Activities Before Exceptional Items, Investment Income, Interest and Taxation

The Group's loss on ordinary activities before exceptional items, investment income, interest and taxation rose to £21.1 million in 2000 from £6.2 million in 1999 primarily as a result of the write off of unsuccessful oil and gas projects.

Steven Bertram outside The Stock Exchange, London

The Group allocates administrative expenses, other than executive performance bonuses, 30% to its Oil Services division and 70% to its Oil & Gas division. Such allocation is based upon the approximate amount of time devoted to each business segment by the Chairman, Group Financial Director and administrative personnel of the Group.

After such allocation, the Group loss from its Oil & Gas division rose from £8.3 million in 1999 to £23 million in 2000 primarily as a result of the £16.2 million write off of the unsuccessful Muradkhanli project.

Pre-tax profit from the Oil Services division, including the Group's share of joint ventures and associated undertakings was largely unchanged at £1.9 million compared with £2.1 million in 1999.

Net Interest and Income from Investment

Net Interest and Income from Investment fell by 44% to £1 million from £1.8 million in 1999. This reflects both the reduced funds available for investment as project expenditures have increased and the lower interest rates available over the year.

Exceptional Gain on Disposal of Oil and Gas Interest

The decision to sell the Group's 2.0825% carried interest in the ACG project offshore Azerbaijan realised an exceptional gain of £88.8 million before taxation but allowing for costs and management bonuses triggered by the after tax gain achieved. This gain reflects sale proceeds of US$145 million and a carrying value of the interest disposed of nil as the interest had been carried by another oil company. A further US$5 million of proceeds is contingent on a future event and will be recognised as and when that contingency has been fulfilled.

Taxation

The Group's taxation charge rose to £27.9 million from £467,000 in 1999 reflecting the substantial tax charge on the exceptional gain arising on the sale of the ACG interest. It is anticipated that Corporation tax payable on the Capital Gain will be rolled-over into other oil and gas projects through qualifying expenditure over the next three years. If this is achieved it will postpone the payment of that tax by ten years.

Profit/Loss for the Financial Year

The gain recognised on the sale of our ACG interest enabled a record post tax profit for the financial year of £40.8 million to be recognised, compared with a loss of £4.8 million in 1999.

Balance Sheet

The Group and Company balance sheets as at 31 December 2000 are shown on page 47. Group net assets have increased from £51.9 million at 31 December 1999 to £92.2 million at 31 December 2000. This increase arose primarily as a result of the profit for the year. At 31 December 2000, the Group held £3 million as cash or short term deposits and received US$55 million as the first instalment of the ACG proceeds in February 2001. A further US$45 million is payable in each of February 2002 and February 2003. These funds provide the Group with sufficient resources to pursue all of the oil and gas projects in which it is currently committed over the next three years.

CASH FLOW

Cash Flow From Operations

As indicated by the consolidated cash flow statement on page 48 the Group's net cash outflow from operating activities was £(3.1) million and £(4.2) million for the years ended 31 December 1999 and 2000 respectively. During both these years, the Company utilised significant cash resources to finance its oil and gas activities in the Caspian region and central and eastern Europe. These outflows were partially offset through revenue generation from the Oil and Gas division. However, the decision to dispose of the Group's interest in ACG will reduce oil and gas revenue in the short term, although this will be more than compensated, over the short term, by an increase in the interest income generated.

Cash Flows Related to Taxation, Investing and Financing Activities

The Group paid amounts in respect of UK and Norwegian taxes of £129,000 in 1999 and £206,000 in 2000. In 1999 and 2000 the Group invested approximately £2.0 million and £1.9 million respectively, in fixed assets. Fixed asset purchases in 2000 related to additional land and facilities at Oil Services' Badentoy plant. Also, in connection with its Oil and Gas operations, the Company invested £7.0 million in 1999 and £13.6 million in 2000 in connection with its projects.

Future Capital Requirements

The Group believes that following receipt of the first instalment of the ACG proceeds in February 2001 its cash and deposits provide it with the flexibility it needs. The Group expects however, if it is successful in discovering commercial reserves in its portfolio of oil and gas projects, that it will require substantial resources in addition to the available cash to fund its share of future expenditure for those other current prospects. It is the Group's intention, at an appropriate time, to reduce its interest in certain of its projects by farming out the interest to other companies, as it is close to doing in Poland with RWE. If successful, this strategy would reduce the future capital requirements of the Group. The ability of the Group to access additional capital on acceptable terms will depend on the success and timing of the Group's projects and the status of various capital markets at the time such capital is sought. Although the Group is actively considering new prospects, there can be no assurance that any of them will actually be secured or that the amount and timing of expenditures for such prospects will not vary materially from those currently contemplated.

The Group's current prospects, are in the exploration or appraisal stages and do not contain any proven reserves. If such projects do not prove capable of commercial development, the Company's capital expenditure requirements in connection with such prospects will be significantly smaller. The Group intends to fund its capital requirements during 2001 primarily from its cash resources.

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 risks non-financial or non-quantifiable. These are not discussed here. To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows will become dominated by dollar-based oil and gas operations. Accordingly, the dollar exchange rate is important to the sterling price of the Shares traded on the AIM.

The table below sets forth, for the periods and dates indicated, the exchange rate for the dollar against sterling.

Dollar/Pound Exchange Rates

	At end of Period	Average Rate	High	Low
1996	1.71	1.57	1.71	1.49
1997	1.64	1.64	1.68	1.60
1998	1.66	1.66	1.71	1.66
1999	1.61	1.61	1.67	1.56
2000	1.49	1.52	1.65	1.40

Details of how the Group manages interest rate and foreign currency exchange risks are included in note 21.

STEVEN BERTRAM
Group Financial Director
20 April 2001

	2000 £'000	1999 restated £'000	1998 restated £'000	1997 restated £'000	1996 restated £'000
Group turnover	14,470	11,189	7,177	6,158	8,198
Cost of sales	(34,590)	(16,583)	(12,257)	(7,912)	(6,136)
Gross (loss)/profit	(20,120)	(5,394)	(5,080)	(1,754)	2,062
Administrative expenses	(1,696)	(1,303)	(1,586)	(1,516)	(1,627)
Exceptional administrative expenses	–	–	(607)	–	–
Group operating (loss)/profit	(21,816)	(6,697)	(7,273)	(3,270)	435
Income from interests in joint venture	701	523	1,050	293	–
Income/(loss) from interests in associates	5	–	–	(48)	99
Exceptional item – gain on disposal of oil and gas interest	88,792	–	–	–	–
Profit/(loss) before investment income, interest and taxation	67,682	(6,174)	(6,223)	(3,025)	534
Investment income	361	434	–	–	–
Interest income net	628	1,339	2,721	2,590	256
Taxation	(27,860)	(467)	(432)	(133)	(314)
Minority interests	–	99	38	16	–
Profit/(loss) for the financial year	40,811	(4,769)	(3,896)	(552)	476
Earnings/(loss) per share	157.3p	(18.9)p	(15.2)p	(2.25)p	2.4p
Dividends per share	–	–	–	–	1.0p
Weighted average number of shares used to compute (loss)/earnings per share	25,939,403	25,751,823	25,674,373	24,563,244	20,096,898

The Directors submit their report and audited Group financial statements for the year ended 31 December 2000.

Review of the Business, Principal Activities and Future Developments

The principal activities of the Group are the exploration, development and production of hydrocarbons and the provision of oil services. The activities of the subsidiaries, joint venture and associates are detailed in note 26 to the financial statements. Reviews of current and future developments of the Company, its subsidiaries, joint venture and associates are given in the Chairman's Statement, in the Reviews of Operations of the Managing Directors and in the Financial Review.

Results and Dividends

The Group consolidated profit and loss account set out on page 46 shows a profit on ordinary activities before tax of £68.7 million (1999 – restated loss £4.4 million). After tax the Group profit for the year was £40.8 million (1999 – restated loss £4.8 million).

The Directors do not recommend the payment of a dividend (1999 — nil per share) and £40.8 million will be transferred to the Group's reserves.

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 the business through a share option scheme.

Directors

Biographies of the Directors of the Company, as at 15 March 2001, are listed on page 2.

In accordance with the Company's Articles of Association, D Boyle who was appointed to the Board on 24 November 2000, automatically retires and being eligible offers himself for re-election. S E Remp retires by rotation and being eligible offers himself for re-election. S E Remp has a service contract with an unexpired period of three years. D Boyle does not have a service contract with the Company. 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 notes 4, 17 and 23 to the financial statements. The Audit and Remuneration Committee Report is included on page 43.

Substantial Shareholders

The Directors have been notified of the following interests in 3% or more of the Company's issued share capital at 20 April 2001:

Name of member	No. of shares	% of capital
The Board of Directors	3,868,601	14.97
ML Invest plc	2,574,458	9.96
Finsbury Trust plc	880,000	3.41
S.G. Warburg Trust Co Ltd	869,975	3.37

Share Capital

Details of allotments made during the year and between 1 January 2001 and 20 April 2001 are given in note 16 to the financial statements.

Creditor Payment Policy

The Company's current policy concerning the payment of its trade creditors is to:

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

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

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

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

The Company's average creditor payment period at 31 December 2000 was 36 days.

Political and Charitable Contributions

Contributions made by the Group during the year for charitable purposes were £ 28,000 (1999 – £35,000).

AGM Special Business

The Annual General Meeting will commence at 12.30 p.m. on 20 June 2001 at the Marcliffe at Pitfodels, North Deeside Road, Aberdeen.

In addition to the routine business of the AGM, there are three items of Special Business detailed in the Notice of Meeting as Resolution numbers 5 to 7.

Resolution 5 authorises the Directors to allot unissued shares in the capital of the Company. This authority will expire at the conclusion of the next Annual General Meeting of the Company.

Resolution 6 is a disapplication of the statutory pre-emption rights contained in the Companies Act 1985 and empowers the Directors to allot ordinary shares for cash in connection with rights issues and pursuant to employees' share schemes which have been approved in general meeting. It also permits the issue generally of ordinary shares having a nominal value of up to £129,500 (being 5% of the current issued share capital), thereby enabling the Directors to take advantage of opportunities as they arise. This authority will also expire at the next Annual General Meeting of the Company.

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

Auditors

The Auditors PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

By order of the Board,

C G MOAR MA CA
Company Secretary
20 April 2001

The Board supports the highest standards in corporate governance, but in keeping with many other companies of our size, has not complied fully with all of the recommendations of the Combined Code.

The roles of Chairman and Chief Executive are both currently filled by S E Remp although N S Cumming manages the day to day running of the Oil Services business in his capacity as Managing Director of that business and M N Burchell fulfilled the same role for the oil and gas business until 31 March 2001. Since then M D Seymour has been responsible for the Group's exploration activity and D F Stover responsible for project development. The Board currently does not believe it to be appropriate to separate the roles of Chairman and Chief Executive.

The Board

The Board currently comprises three Executive and three Non-Executive Directors and meets regularly throughout the year. Biographies of the Directors are presented on page 2. Samuel Zell retired as a Non-Executive Director on 24 November 2000 and was replaced by David Boyle on the same date. Michael N Burchell retired as Managing Director of the oil and gas division on 31 March 2001. The Board is responsible for the overall direction and strategy of the Group, and has adopted a schedule of matters specifically reserved for its review and, where appropriate, its decision. The Directors may, at the Company's expense, take independent professional advice should this be necessary in the futherance of their duties.

The Non-Executive Directors are independent of the Group and bring a wealth of relevant commercial and professional experience to the Board. Peter Everett is the Senior Independent Non-Executive Director. Non-Executive Directors have no service contracts but are appointed for an initial term of three years, renewable as appropriate. Their reappointment is subject to shareholder approval at least once every three years due to retirement by rotation as provided in the Company's Articles of Association.

Audit and Remuneration Committee

The Company has an Audit and Remuneration Committee that is comprised solely of independent Non-Executive Directors who take no part in the discussion of their own remuneration. It is chaired by Peter Everett and its other members are Sir Malcolm Rifkind and, since 24 November 2000, David Boyle. Prior to that date Sam Zell was the third member of the committee. The Committee determines the remuneration of the Executive Directors and advises the Board on incentive schemes for employees. Its Remuneration report is presented on page 43. The Committee also meets at least twice a year to review the annual and interim accounts and the effectiveness of internal controls.

The Group's External Auditors attend some of the Committee meetings and the planning, scope and results of their audit are reviewed.

Internal control

As undertaken in the 1999 Annual Report and in accordance with the transitional arrangements outlined by the London Stock Exchange in its letter to all listed companies dated 27 September 1999, the Group has put in place a process for the review of its business risk management. The process has been in place from May 2000 up to the date of the Annual Report and Financial Statements.

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 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.

Internal audit

The Company does not have an internal audit function but the need for such a function is reviewed at least annually and management actively participate in, and encourage audits of, the Group's joint venture activities. It is the current view of the Board that the lack of an internal audit function does not impair the effectiveness of the system of internal control.

Investor relations

Communications with investors are given high priority. The Executive Directors have regular dialogue with investors and city analysts. All shareholders are sent the Annual Report and Accounts, Interim Report and may have elected 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 Group including share price information, Annual Report and Accounts and press releases.

The Board uses the Annual General Meeting (AGM) to communicate with all shareholders and welcomes their participation. The Board aims to ensure that the Chairman of the Audit and Remuneration Committee is available at the AGM to answer questions. The Company complies with best practice in ensuring that the Notice of the AGM is despatched to shareholders at least 20 working days ahead of the meeting.

Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently, with the exception of any changes arising on the adoption of new accounting standards in the year and resulting from the decision to change to 'successful efforts' from 'full cost' accounting as the most appropriate treatment for the Group's exploration and development expenditure. Further information is given in note 1 on page 49. 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 2000 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.

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 the going concern basis in preparing the financial statements.

AUDIT AND REMUNERATION COMMITTEE REPORT

The members of the Audit and Remuneration Committee are Mr P Everett (Chairman), Sir Malcolm Rifkind and since 24 November 2000 Mr David Boyle, all of whom are Non-Executive Directors of the Company. Prior to 24 November 2000, Mr S Zell was the third member of the Committee. The Committee, which meets at least twice a year, is responsible to the Board for determining the terms and conditions of employment of the Executive Directors, 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 it sees fit.

The Company complies with those provisions relating to Directors' remuneration committees set out in The Combined Code annexed to the Stock Exchange Listing Rules; the Committee confirms that in determining its remuneration policy it has given full consideration to the provisions set out in The Combined Code, and believes that Ramco's reward structure is in accordance with those recommendations, other than as discussed below in relation to the length of service contracts.

None of the Committee members has any personal financial interest, other than as a shareholder, in the matters to be decided by the Committee nor any conflicts arising from cross-directorships or day-to-day involvement in the running of Ramco.

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. Remuneration packages consist of annual salary, performance related bonuses, 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 believes that the terms of these contracts are appropriate in order to retain high quality management.

Performance related bonuses are calculated as a percentage of the after tax profit of the Group companies for which each Executive Director performs duties. The bonuses are payable following certification by the auditors for each year, although interim payments can be approved by the Committee where established businesses are involved. The substantial after tax gain recognised on the sale of the ACG interest has given rise to significant exceptional performance bonuses. These reflect the value creation achieved in establishing the Group's oil and gas business over the long term. Over the previous five years of this scheme, the oil and gas business had generated total bonuses of £95,000.

Director	Bonus %	Group Companies
S E Remp	7.0	All
S R Bertram	1.0	All
M N Burchell	2.0	Oil and Gas Companies
N S Cumming	2.5	Oil Service Companies

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.

The details of Directors' remuneration and share options are given in note 4 to the financial statements.

P EVERETT
Chairman, Audit and Remuneration Committee
20 April 2001

AUDITORS' REPORT

To the shareholders of Ramco Energy plc

We have audited the financial statements on pages 45 to 68.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 42, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 41 and 42 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Aberdeen, Scotland
20 April 2001

RAMCO ENERGY plc

2000

FINANCIAL STATEMENTS

For the year ended 31 December 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Note	2000 £'000	1999 restated £'000
Turnover – Group and share of joint venture and associates	2	18,323	12,569
Less share of joint venture and associates		(3,853)	(1,380)
Group turnover	2	14,470	11,189
Cost of sales		(34,590)	(16,583)
Gross loss		(20,120)	(5,394)
Administrative expenses		(1,696)	(1,303)
Group operating loss	3	(21,816)	(6,697)
Share of operating profit in joint venture and associates	2	706	523
Loss on ordinary activities before exceptional items, investment income and interest		(21,110)	(6,174)
Exceptional item – gain on disposal of oil and gas interest	5	88,792	–
Profit/(loss) before investment income, interest and taxation		67,682	(6,174)
Investment income		361	434
Interest receivable	6	628	1,339
Profit/(loss) on ordinary activities before taxation	2	68,671	(4,401)
Tax on profit/(loss) on ordinary activities	7	(27,860)	(467)
Profit/(loss) on ordinary activities after taxation		40,811	(4,868)
Minority interests		–	99
Retained profit/(loss) for the year	18	40,811	(4,769)
Earnings/(loss) per ordinary share			
On profit/(loss) for the financial year	8	157.3p	(18.9)p
Fully diluted earnings/(loss) per share	8	152.0p	(18.9)p

The results relate to continuing operations.

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2000

	2000 £'000	1999 restated £'000
Profit/(loss) for the financial year	40,811	(4,769)
Unrealised surplus on revaluation of certain properties	–	581
Unrealised translation differences on foreign currency net investments	(7)	(18)
Total recognised gains/(losses) relating to the year	40,804	(4,206)
Prior year adjustment	(7,728)	
Total gains and losses recognised since last annual report	33,076	

The notes on pages 49 to 68 form part of these financial statements

BALANCE SHEETS

As at 31 December 2000

	Note	Group 2000 £'000	Group 1999 restated £'000	Company 2000 £'000	Company 1999 restated £'000
Fixed assets					
Intangible assets	9	14,553	19,233	–	–
Tangible assets	10	10,113	9,401	450	454
Investments					
Share of joint venture's gross assets		3,165	2,352	–	–
Share of joint venture's gross liabilities		(2,260)	(1,417)	–	–
Share of joint venture's net assets		905	935	–	–
In subsidiaries		–	–	74,921	8,203
In associated undertakings		3	–	–	–
Other fixed asset investments		3	56	–	–
Total investments	11	911	991	74,921	8,203
		25,577	29,625	75,371	8,657
Current assets					
Stocks	12	228	199	–	–
Debtors: amounts falling due after one year	13	60,402	–	–	–
Debtors: amounts falling due within one year	13	41,102	4,600	22,575	28,759
Cash at bank and in hand		3,021	21,214	1,698	16,473
		104,753	26,013	24,273	45,232
Creditors: amounts falling due within one year	14	(36,063)	(3,482)	(7,314)	(1,878)
Net current assets		68,690	22,531	16,959	43,354
Total assets less current liabilities		94,267	52,156	92,330	52,011
Provision for liabilities and charges	15	(2,097)	(278)	(160)	(133)
Net assets		92,170	51,878	92,170	51,878
Capital and reserves					
Called up share capital	16	2,583	2,595	2,583	2,595
Share premium account	18	55,339	55,822	55,339	55,822
Revaluation reserve	18	823	840	66,921	203
Other reserves	18	(101)	(94)	–	–
Profit and loss account	18	33,526	(7,285)	(32,673)	(6,742)
Equity shareholders' funds	19	92,170	51,878	92,170	51,878

These financial statements were approved by the Board of Directors on 20 April 2001

S E REMP
Chairman and Chief Executive

S R BERTRAM
Group Financial Director

The notes on pages 49 to 68 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2000

	Note	2000 £'000	1999 restated £'000
Net cash outflow from continuing operating activities	24(a)	(3,118)	(4,187)
Returns on investments and servicing of finance			
Interest received		699	1,472
Dividends received		9	–
Net cash inflow from returns on investments and servicing of finance		708	1,472
Taxation			
United Kingdom corporation tax received		–	8
Overseas tax paid		(206)	(137)
Taxation paid		(206)	(129)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,894)	(2,020)
Sale of tangible fixed assets		54	832
Oil and gas expenditure – intangible assets		(13,594)	(7,025)
Payment to acquire investments		(488)	(547)
Receipts from sale of investments		840	981
Net cash outflow for capital expenditure and financial investment		(15,082)	(7,779)
Cash outflow before management of liquid resources and financing		(17,698)	(10,623)
Management of liquid resources			
Net transfer from term deposits		15,388	11,738
Net cash (outflow)/inflow before financing		(2,310)	1,115
Financing			
Purchase of share capital for cancellation		(495)	–
Issue of share capital		–	16
Net cash (outflow)/inflow from financing		(495)	16
(Decrease)/increase in cash	24(b)	(2,805)	1,131

The notes on pages 49 to 68 form part of these financial statements

1. PRESENTATION OF ACCOUNTS AND ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Ramco Energy plc is an international energy company which operates through two divisions. The Oil and Gas division actively explores for, and develops oil and gas reserves, primarily in the Caspian region and central and eastern Europe. The Oil Services division specialises in down hole tubular maintenance and pipeline coatings, operating in the UK, Norway and Japan.

To the extent that the Group is successful in oil and gas exploration, development and production an increasing portion of its assets will be located in, and its revenue derived from, the Caspian region and central and eastern Europe. Accordingly, its future results of operations may be subject to greater economic and political risks than the Group has historically experienced with respect to the oil services operations.

FINANCIAL PERIOD

These financial statements cover the financial year from 1 January 2000 to 31 December 2000, with comparative figures for the year to 31 December 1999. The comparative figures have been restated to reflect certain changes in accounting policy detailed below.

COMPOSITION OF ACCOUNTS

These financial statements have been prepared in accordance with UK generally accepted accounting principles. A summary of the more important accounting policies, which have been applied consistently, except as otherwise noted, is set out below.

CHANGES IN PRESENTATION OF FINANCIAL INFORMATION

Financial Reporting Standard (FRS) 15 "Tangible Fixed Assets" became mandatory for all UK companies with accounting periods ending on or after 23 March 2000. Adoption of the standard has resulted in changes to the initial measurement of certain intangible fixed assets. These changes have been reflected as a restatement of prior years by means of a prior year adjustment. The Company has adopted the option within the transitional arrangements of FRS 15, to retain the book values of fixed assets at their previously revalued amounts. No further revaluations will be undertaken. Over the preceding periods to 31 December 1999, the effect of the prior year adjustment has been to decrease intangible fixed assets and profit attributable to members of the parent company by £708,000. The effect of the change in policy on the year to 31 December 2000 was not material.

The Group previously accounted for oil and gas expenditure under the "full cost" method of accounting. The Directors, having considered the size, geographical spread and maturity of the Group's activities, are of the opinion that the 'successful efforts' method of accounting for exploration and development expenditure is now more appropriate. This policy has therefore been adopted and the 1999 financial statements restated to reflect this change in accounting policy. Over the preceding periods to 31 December 1999, the effect of this change in accounting policy has been to decrease intangible fixed assets by £7.0 million and decrease profit attributable to members of the parent company by £7.0 million. The effect of the change in policy on the year to 31 December 2000 was not material.

ACCOUNTING POLICIES

Basis of accounting

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

Basis of consolidation

These financial statements consolidate the financial accounts of Ramco Energy plc and all of its subsidiaries, made up to 31 December each year. No profit and loss account is presented for Ramco Energy plc as permitted by S.230 of the Companies Act 1985. Transactions and balances between subsidiary undertakings are eliminated; no profit

1. PRESENTATION OF ACCOUNTS AND ACCOUNTING POLICIES *(continued)*

is recognised on sales between subsidiary undertakings. Shares in Group undertakings are revalued in the entity balance sheet on the basis of the Company's share of the net asset value of the Group undertaking at 31 December.

Undertakings, other than subsidiaries, in which the Group has an investment comprising an interest of not less than 20% of the voting capital and over which it exerts significant influence are defined as joint ventures or associated undertakings.

Where the Group owns a long term investment of between 20% and 50% jointly with another party this investment is defined as a joint venture and accounted for using the gross equity method. The consolidated financial statements include the appropriate share of these undertakings' results and net assets based on financial statements to 31 December. In addition the Group's share of turnover, operating profit and taxation relating to joint ventures and associates is separately disclosed. Further disclosures as required by FRS 9, are provided where appropriate and in particular in note 11.

Goodwill

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

Fixed assets

Oil and gas interests

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

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

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

Other activities

The cost of tangible fixed assets is purchase cost together with any incidental expenses of acquisition. Freehold land and buildings were professionally revalued at 31 December 1999. Subsequent additions are included at cost. 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 10 to the financial statements. Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	2% to 7.5%
Long leasehold buildings	–	6.7%
Plant, fixtures and equipment	–	10% to 25% or Pipe Care Units – 120 operating months.

1. PRESENTATION OF ACCOUNTS AND ACCOUNTING POLICIES *(continued)*

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

Leases

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

Stocks

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

Foreign currencies

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

Financial Instruments

The Group does not currently hold any derivative financial instruments but may from time to time, with the approval of the Board, use such instruments to manage its exposure to fluctuations on foreign currency exchange rates, interest rates and movements in oil and gas prices. Further details are given in note 21.

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 in the foreseeable future.

Defined contribution pension schemes

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

Turnover

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

Revenue recognition

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

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

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

2. SEGMENTAL REPORTING

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

	Oil & Gas		*Oil Services*		*Total*	
	2000	1999 restated	2000	1999 restated	2000	1999 restate
Turnover by origin	£'000	£'000	£'000	£'000	£'000	£'000
Former Soviet Union	2,475	608	–	–	2,475	608
Central and eastern Europe	523	446	–	–	523	446
United Kingdom	–	–	12,450	9,039	12,450	9,039
Norway	–	–	1,704	1,550	1,704	1,550
Japan	–	–	1,171	926	1,171	926
	2,998	1,054	15,325	11,515	18,323	12,569
Less *joint ventures and associates (UK)*	–	–	(3,853)	(1,380)	(3,853)	(1,380)
Group turnover	2,998	1,054	11,472	10,135	14,470	11,189
Operating (loss)/profit						
Former Soviet Union	(15,296)	(4,611)	–	–	(15,296)	(4,611)
Central and eastern Europe	(4,382)	(3,253)	–	–	(4,382)	(3,253)
United Kingdom	(3,343)	(37)	648	973	(2,695)	936
Norway	–	–	693	567	693	567
Rest of Europe	–	(400)	–	–	–	(400)
Japan	–	–	570	587	570	587
	(23,021)	(8,301)	1,911	2,127	(21,110)	(6,174)
Less joint ventures and associates (UK)	–	–	(706)	(523)	(706)	(523)
Group operating (loss)/profit	(23,021)	(8,301)	1,205	1,604	(21,816)	(6,697)
Joint venture and associates (UK)	–	–	706	523	706	523
(Loss)/profit on ordinary activities before exceptional items, investment income and interest	(23,021)	(8,301)	1,911	2,127	(21,110)	(6,174)
Exceptional item	88,792	–	–	–	88,792	–
Net interest and investment income					989	1,773
Profit/(loss) before taxation					68,671	(4,401)
Net assets						
Former Soviet Union	99,995	9,048	–	–	99,995	9,048
Central and eastern Europe	9,421	10,743	–	–	9,421	10,743
United Kingdom	(29,804)	19,590	12,863	11,039	(16,941)	30,629
Norway	–	–	(473)	480	(473)	480
Rest of Europe	46	828	–	–	46	828
Japan	122	–	–	150	122	150
	79,780	40,209	12,390	11,669	92,170	51,878

The Group allocates administrative expenses, other than executive performance bonuses, 30% to its Oil Services business and 70% to its Oil and Gas business. Such allocation is based upon the approximate amount of time devoted to each business by the Chairman, Group Financial Director and administrative personnel of the Group.

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

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

3. GROUP OPERATING LOSS

	2000 £'000	1999 £'000
This is stated after charging or (crediting):		
Amounts written off in respect of intangible oil and gas assets	18,274	3,689
Depreciation of tangible fixed assets	1,033	853
Amortisation of goodwill – joint venture	30	30
Operating lease rentals – land and buildings	328	398
Operating lease rentals – plant, fixtures and equipment	521	541
Loss/(gain) on disposal of tangible fixed assets	12	(334)
Gain on exchange	(249)	(184)
Auditors' remuneration for – Audit (Company – £47,000; 1999 – £20,000)	169	110

Remuneration to the Company's auditors for the provision of non audit services to the Company and its UK subsidiary undertakings in 2000 was £136,000 (1999 – £90,000).

4. EMPLOYEES AND DIRECTORS

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

	2000 Number	1999 Number
Oil Services	106	98
Oil and Gas	11	19
Office and management	13	13
	130	130

	2000 £'000	1999 £'000
Staff costs during the year amounted to:		
Wages and salaries	8,134	4,245
Social security costs	928	472
Other pension costs (note 20)	227	260
	9,289	4,977

Included in staff costs for 2000 are bonuses triggered by the exceptional gain on the sale of the ACG interest totalling £4.9 million (1999 – £nil).

Directors' remuneration	Salary and fees £'000	Performance Related Bonus £'000	Benefits £'000	Aggregate emoluments £'000	2000 Pension Contributions £'000	1999 Pension Contributions £'000	2000 Total £'000	1999 Total £'000
Executive Directors								
S E Remp	378	3,120	33	3,531	84	78	3,615	529
S R Bertram	140	450	14	604	21	20	625	183
M N Burchell (retired 31/03/01)	200	845	15	1,060	6	17	1,066	253
N S Cumming	140	48	14	202	21	20	223	218
Non-Executive Directors								
P Everett	29	–	–	29	–	–	29	27
Sir M Rifkind	18	–	–	18	–	–	18	15
D Boyle (appointed 24/11/00)	2	–	–	2	–	–	2	15
S Zell (resigned 24/11/00)	16	–	–	16	–	–	16	15
2000	923	4,463	76	5,462	132	135	5,594	1,240
1999	860	170	75	1,105				

Retirement benefits are accruing to the four Executive Directors (1999 – four Directors) under the Group's defined contribution schemes.

4. EMPLOYEES AND DIRECTORS *(continued)*

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 1999 or at date of appointment*	At 31 Dec 2000 or at date of resignation or retirement†	At 20 April 2001 or at date of resignation or retirement†
S E Remp	3,293,401	3,293,401	3,308,401
S E Remp (interest held under power of attorney registered holder Mrs B Remp, S E Remp's mother)	3,250	3,250	3,250
S R Bertram	140,000	140,000	140,000
M N Burchell (retired 31/03/01)	81,407	81,407	81,407†
N S Cumming	300,000	300,000	300,000
P Everett	21,743	21,743	21,743
Sir M Rifkind	1,300	1,300	1,300
D Boyle (appointed 24/11/00)	10,000*	10,000	10,000
D Boyle (non-beneficial)	2,500*	2,500	2,000
S Zell (resigned 24/11/00)	146,194	146,194	–
S Zell (interest held through a 49.4% interest in Riverside Partners L.P.)	530,000	530,000†	–
	4,529,795	4,529,795	3,868,601

Directors' interests in share options are as follows:

	Exercise price	At 31 Dec 1999	Granted	Exercised	At 31 Dec 2000	Normal exercise dates
S E Remp	675p	132,500	–	–	132,500	30/4/01–29/4/08
S R Bertram	675p	38,000	–	–	38,000	5/5/01–4/5/08
M N Burchell	675p	74,000	–	–	74,000	30/4/01–29/4/08
N S Cumming	125p	27,000	–	–	27,000	1/7/96–30/6/03
N S Cumming	755p	33,000	–	–	33,000	7/11/99–6/11/06
N S Cumming	675p	13,500	–	–	13,500	5/5/01–4/5/08
		318,000	–	–	318,000	

A summary of the performance criteria conditional upon which the options are exercisable is set out in note 17.

During 2000 the share price ranged between a high of £4.975 and a low of £2.75. The quarterly highest and lowest closing share prices are detailed in note 16. Directors' interests in material contracts are disclosed in note 23.

A separate report from the Audit and Remuneration Committee can be found on page 43.

5. EXCEPTIONAL ITEM – GAIN ON DISPOSAL OF OIL AND GAS ASSET

	2000 £'000	1999 £'000
Gain on disposal of interest in ACG field	93,720	–
Exceptional bonuses (including NIC) arising on gain	(4,928)	–
	88,792	–

6. INTEREST RECEIVABLE

	2000 £'000	1999 £'000
Bank interest	628	1,335
Other	–	4
	628	1,339

7. TAXATION

	2000 £'000	1999 £'000
Tax on profit/(loss) on ordinary activities:		
Corporation tax at 30% (1999 – 30.25%)	27,596	351
Overseas tax at 28% (1999 – 28%)	264	202
Double taxation relief	(316)	(255)
Deferred taxation	(1)	(4)
Tax attributable to results of joint venture	204	158
Tax attributable to results of associated undertakings	2	–
	27,749	452
Adjustment in respect of previous periods:		
Corporation tax	(42)	23
Deferred taxation	154	12
Tax attributable to results of joint venture	(1)	(2)
Tax attributable to results of associated undertakings	–	(18)
	111	15
	27,860	467

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit/(loss) for the financial year after minority interests of £40,811,000 (1999 restated – loss £4,769,000) and 25,939,403 (1999 – 25,751,823) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

(b) Fully diluted earnings/(loss) per ordinary share

The calculation of fully diluted earnings/(loss) per share is based on the profit/(loss) for the financial year after minority interests of £40,811,000 (1999 restated loss £4,769,000) and 26,853,790 (1999 – 25,751,823) ordinary shares in issue plus the dilutive potential ordinary shares relating to share options.

9. INTANGIBLE FIXED ASSETS

Intangible	Group Exploration costs		Company Exploration costs	
	2000 £'000	1999 restated £'000	2000 £'000	1999 restated £'000
Cost:				
At 1 January as previously reported		20,187		6,219
Prior year adjustment		(4,039)		(927)
At 1 January as restated	19,233	16,148	–	5,292
Additions	13,594	7,188	–	–
Costs written off*	(18,274)	(3,689)	–	–
Transfer to subsidiary	–	–	–	(5,292)
Disposals	–	(414)	–	–
At 31 December	14,553	19,233	–	–

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 2000, these costs totalled £14,553,000, £4,457,000 of which relates to the Caspian Region, £9,201,000 to central and eastern Europe and £895,000 to Ireland.

Carried interest

During 2000 the Group sold its carried interest in the Azeri, Chirag and Gunashli ("ACG") PSA.
The Group's share of the costs incurred under the ACG PSA had been covered by a carried interest arrangement with Pennzoil.

* *Costs written off in 1999 represent those costs previously capitalised, but now written off following the change in accounting policy (note 1).*

10. TANGIBLE FIXED ASSETS

	Land and buildings Freehold £'000	Land and buildings Long leasehold £'000	Plant, fixtures and equipment £'000	Total £'000
Group:				
Cost or valuation:				
At 1 January 2000	6,119	1,186	6,379	13,684
Retranslation	–	–	(7)	(7)
Additions	1,208	–	604	1,812
Disposals	–	(73)	(60)	(133)
At 31 December 2000	7,327	1,113	6,916	15,356
Of which: At cost	1,208	1,113	6,916	9,237
At valuation	6,119	–	–	6,119
	7,327	1,113	6,916	15,356
Depreciation:				
At 1 January 2000	–	213	4,070	4,283
Retranslation	–	–	(6)	(6)
Provided during the year	55	76	902	1,033
Disposals	–	(14)	(53)	(67)
At 31 December 2000	55	275	4,913	5,243
Net book value:				
At 31 December 2000	7,272	838	2,003	10,113
At 31 December 1999	6,119	973	2,309	9,401
Company:				
Cost or valuation:				
At 1 January 2000	294	–	574	868
Additions	–	–	76	76
Disposals	–	–	(60)	(60)
At 31 December 2000	294	–	590	884
Of which: At cost	–	–	590	590
At valuation	294	–	–	294
	294	–	590	884
Depreciation:				
At 1 January 2000	–	–	414	414
Provided during the year	9	–	65	74
Disposals	–	–	(54)	(54)
At 31 December 2000	9	–	425	434
Net book value:				
At 31 December 2000	285	–	165	450
At 31 December 1999	294	–	160	454

Freehold land and buildings includes interest capitalised of £236,000 (1999 – £236,000). No interest has been capitalised since 1993 when construction of the facility at Badentoy, Aberdeen was completed. The Group's freehold land and buildings were valued on an open market basis for existing use on 31 December 1999 by Smith Milligan, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors in the United Kingdom. These valuations were incorporated into the financial statements and the resulting revaluation adjustments taken to the revaluation reserve (note 18).

10. TANGIBLE FIXED ASSETS *(continued)*

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

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Historical cost:				
At 31 December	7,047	5,839	479	479
Depreciation:				
At 31 December	562	509	237	227

Capital commitments:	Group 2000 £'000	Group 1999 restated £'000	Company 2000 £'000	Company 1999 restated £'000
Contracts placed for future capital expenditure not provided in the financial statements	750	55	750	–

11. INVESTMENTS

	Other fixed asset investments £'000	Joint venture £'000	Associated under-takings £'000	Total £'000
Group:				
Cost or valuation:				
At 1 January 2000				
Goodwill	–	300	–	300
Net assets	56	718	–	774
	56	1,018	–	1,074
Additions				
Share of retained profit for the year	–	–	3	3
At 31 December 2000	56	1,018	3	1,077
Goodwill	–	300	–	300
Net assets	56	718	3	777
	56	1,018	3	1,077
Amounts written off:				
At 1 January 2000				
Goodwill	–	83	–	83
Net assets	–	–	–	–
	–	83	–	83
Provision against investments*	53	–	–	53
Amortisation of goodwill	–	30	–	30
At 31 December 2000	53	113	–	–
Goodwill	–	113	–	113
Net assets	53	–	–	53
	53	113	–	166
Net book value:				
At 31 December 2000				
Goodwill	–	187	–	187
Net assets	3	718	3	724
	3	905	3	911
Net book value:				
At 31 December 1999				
Goodwill	–	217	–	217
Net assets	56	718	–	774
	56	935	–	991

* Write down in carrying value of a minority holding in a private company.

11. INVESTMENTS *(continued)*

	Subsidiary under-takings £'000
Company:	
Cost or valuation:	
At 1 January 2000 as previously reported	12,068
Prior year adjustment	(3,865)
At 1 January 2000 as restated	8,203
Movement on revaluation of Group undertakings	66,718
At 31 December 2000	*74,921*

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

	2000 £'000	1999 £'000
Share of:		
Goodwill	187	217
Tangible fixed assets	2,095	1,842
Current assets	883	293
Liabilities due within one year	(1,973)	(1,221)
Provisions for liabilities and charges	(287)	(196)
	905	935

The Group's share of the undistributed retained earnings of its joint venture amounted to £367,000 at 31 December 2000 (1999 – £367,000).

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

	Subsidiary under-takings £'000	Joint venture £'000	Associated under-takings £'000	Total £'000
Cost:				
At 1 January 2000	1,002	650	293	1,945
Additions	–	–	–	–
At 31 December 2000	*1,002*	*650*	*293*	*1,945*
Provisions:				
At 1 January 2000	–	(83)	(293)	(376)
Provided during the year	–	–	–	–
At 31 December 2000	–	(83)	(293)	(376)
Net book value:				
At 31 December 2000	1,002	567	–	1,569
At 31 December 1999	1,002	567	–	1,569

Share of results of joint venture:	2000 £'000	1999 £'000
British Steel Ramco Pipeline Services Limited		
Turnover	7,233	2,760
Profit before taxation	1,402	1,046
Group share 50%	701	523
Group share of profit after tax	498	367

On 14 March 1997 the Group formed British Steel Ramco Pipeline Services Limited as a 50% shareholder with British Steel, now Corus. The principal operating Group undertakings at 31 December 2000 are listed in note 26.

12. STOCKS

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Consumables and stores	228	199	–	–

13. DEBTORS

Amounts falling due within one year:	Group 2000 £'000	Group 1999 restated £'000	Company 2000 £'000	Company 1999 restated £'000
Trade debtors	2,732	2,462	–	–
Amounts owed by subsidiary undertakings	–	–	20,077	27,544
Amounts owed by associated undertakings*	1,758	14	–	–
Group relief receivable	–	–	1,440	–
Corporation tax recoverable	–	7	–	–
Value added tax and other taxes	62	236	–	153
Other debtors	35,689	794	4	4
Dividends receivable from subsidiaries	–	–	900	900
Dividends receivable from joint venture	498	728	–	–
Prepayments	363	359	154	158
	41,102	4,600	22,575	28,759

* All trading balances.

Amounts falling due after one year:	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Other debtors	60,402	–	–	–

This relates to the second and third instalments of the proceeds of the ACG sale, which are receivable as follows:

	US Dollars $'000	Exchange rate	2000 Sterling £'000	1999 Sterling £'000
February 2002	45,000	1.49	30,201	–
February 2003	45,000	1.49	30,201	–
	90,000		60,402	–

A further US$5million may become payable at an unknown future date if a decision is taken to move the ACG Field to full development.

14. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

Amounts falling due within one year:	Group 2000 £'000	Group 1999 restated £'000	Company 2000 £'000	Company 1999 restated £'000
Trade creditors	1,938	2,014	236	149
Amounts owed to subsidiary undertakings	–	–	1,862	1,381
Amounts owed to associated undertakings*	–	20	–	–
Corporation tax	27,558	218	–	33
Group relief payable	–	–	–	86
Other taxes and social security	272	216	96	62
Other creditors	2	–	–	–
Accruals	6,293	1,014	5,120	167
	36,063	3,482	7,314	1,878

* All trading balances.

Current year corporation tax includes £27.3 million in respect of exceptional items. Although this has been recognised in the tax charge for the year, the Group anticipates that the taxable gain arising as a result of the exceptional item will be relieved by future investments. Provided these investments meet the qualifying conditions for business asset rollover relief, the actual liability will not crystallise, until the earlier of the disposal of the assets or the tenth anniversary of the investment.

15. PROVISION FOR LIABILITIES AND CHARGES

Group	Closure costs £'000	Relocation costs £'000	Vacant properties £'000	Others £'000	Deferred tax £'000	Total £'000
At 1 January 2000	–	–	95	33	150	278
Charged to the profit and loss account	1,403	190	101	5	153	1,852
Utilised during the year	–	–	–	(31)	–	(31)
Transfer to profit and loss account	–	–	–	(2)	–	(2)
At 31 December 2000	1,403	190	196	5	303	2,097

Company	Relocation costs £'000	Vacant properties £'000	Others £'000	Deferred tax £'000	Total £'000
At 1 January 2000	–	95	33	5	133
Charged to the profit and loss account	18	42	5	(5)	60
Utilised during the year	–	–	(31)	–	(31)
Transfer to profit and loss account	–	–	(2)	–	(2)
At 31 December 2000	18	137	5	–	160

Closure costs

This provision represents the costs of winding down the Muradkhanli operations following the pre year end decision to write off the unsuccessful project. The provision is expected to be fully exercised in 2001.

Relocation costs

During 2000 the Group decided to close its oil and gas office in Dorking, Surrey and to relocate its function to the head office in Aberdeen. The costs of redundancy packages for staff who have chosen not to relocate has been provided. This provision is expected to be fully utilised in 2001.

Vacant properties

The Group has three vacant leasehold properties. Provision has been made for residual lease commitments, together with outgoings, after taking into account existing and anticipated sub-tenant arrangements. The increase in the provision during 2000 arises primarily from two additional properties becoming vacant due to the relocation of the Group's Oil and Gas offices to Aberdeen. The provision at 31 December 2000 is based on appropriately discounted cash flows.

Deferred taxation is provided in the financial statements as follows:

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Capital allowances in advance of depreciation	306	124	2	5
Short term timing differences	(1)	–	–	–
Other timing differences	(2)	26	(2)	–
	303	150	–	5

The unprovided (asset)/liability for deferred taxation is as follows:

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Capital allowances in advance of depreciation	(90)	70	–	–
Short term timing differences	(51)	(5)	–	–
Unrelieved losses	(5,617)	(87)	2	–
	(5,758)	(22)	2	–

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

There is a potential liability of £19.9 million which would arise if the revalued investments of the Company, in subsidiary, joint ventures and associated undertakings, were sold at their revalued amounts. Provision for these liabilities has not been made in the financial statements as there is no intention, in the foreseeable future, to dispose of these investments or intangible fixed assets.

16. SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised:		
40,000,000 (1999 – 40,000,000) ordinary shares of 10p each	4,000	4,000
Allotted, called up and fully paid:		
25,833,595 (1998 – 25,953,595) ordinary shares of 10p each	2,583	2,595

During the period from 1 January 1999 to 31 December 2000 the following new ordinary shares of 10p each were issued or cancelled:

Date of issue	No. of shares	Reason for change	Price
12 October 1999	12,000	Employee Share Option Scheme	130p
29 December 1999	194,030	Additional interest acquired in MOGL	335p
Total for 1999	206,030		
16 November 2000	(100,000)	Purchased for cancellation	410p-415p
27 November 2000	(20,000)	Purchased for cancellation	410p
Total for 2000	(120,000)		

Total consideration received for the new shares issued in 1999 was £665,000. Costs associated with the issue of these shares were £nil. In November 2000 a total of 120,000 shares were purchased for cancellation, the price paid ranged between £4.10 and £4.15.

Between 1 January 2001 and 20 April 2001 5,000 new shares were issued under an employee share option scheme.

The principal trading market for the shares in the United Kingdom is the London Stock Exchange's Alternative Investment Market (AIM) on which the shares have been traded since 14 November 1996. Between March 1997 and December 2000 the Company's shares were also being traded in the form of American Depository Shares (ADSs) on the American Stock Exchange (AMEX). The AMEX listing was ended as the majority of ADSs had been converted back to ordinary shares.

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.

	2000 Pence per share		1999 Pence per share	
	High	Low	High	Low
First quarter	462.5	275.0	275.0	215.0
Second quarter	438.0	347.5	355.0	240.0
Third quarter	497.5	350.0	442.0	355.0
Fourth quarter	487.5	380.0	360.0	322.0

17. SHARE OPTIONS

The Company has granted options under a number of Employee Share Option Schemes. Before any of the share options granted under these schemes can be exercised the Group must first have achieved certain performance targets, as detailed below. As at 31 December 2000 the following options were outstanding:

Option price	2000	1999	Exercisable at 31 Dec 2000	Remaining contractual life	Normal exercise dates	Target variable	Target
80p	31,000	31,000	31,000	1.9 years	11/11/95-10/11/02	E.P.S.	> RPI
125p	27,000	27,000	27,000	2.5 years	1/7/96-30/6/03	E.P.S.	> RPI
130p	15,000	15,000	15,000	3.5 years	1/7/97-30/6/04	E.P.S.	> RPI
220p	29,000	29,000	29,000	4.0 years	10/12/97-9/12/04	E.P.S.	> RPI
595p	35,000	35,500	–	5.4 years	10/5/99-9/5/06	E.P.S.	> RPI
755p	127,900	128,400	–	5.9 years	7/11/99-6/11/06	E.P.S.	> RPI
1095p	2,000	2,000	–	6.2 years	25/2/00-24/2/07	E.P.S.	> RPI
1095p	2,500	2,500	–	6.2 years	19/3/00-18/3/07	E.P.S.	> RPI
675p	423,000	428,500	–	7.3 years	30/4/01-29/4/08	E.P.S.	> RPI
675p	51,500	51,500	–	7.3 years	5/5/01-4/5/08	E.P.S.	> RPI
395p	41,700	41,700	–	8.5 years	16/7/02-15/7/09	T.S.R.	>RPI+5% p.a.
395p	105,050	107,550	–	8.5 years	16/7/04-15/7/09	T.S.R.	>RPI+10% p.a.
333p	20,000	20,000	–	8.9 years	8/11/04-7/11/09	T.S.R.	>RPI+10% p.a.
	910,650	919,650	102,000				

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 note 4 to the financial statements.

	2000 Shares	2000 Weighted average exercise price	1999 Shares	1999 Weighted average exercise price
Options outstanding at 1 January	919,650	573p	932,150	646p
Options exercised	–	–	(12,000)	130p
Options granted	–	–	170,250	388p
Options cancelled	(9,000)	597p	(170,750)	822p
Options outstanding at 31 December	910,650	573p	919,650	573p
Options available for grant 31 December	153,757		144,858	
Options exercisable at 31 December	102,000	139p	102,000	139p
Weighted average fair value of options granted during the year	–		181p	
Option price range				
At 31 December	80p to 1095p		80p to 1095p	
For exercised options	–		130p	

No options expired during the current or prior year.

18. RESERVES

	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit & loss account £'000
Group:				
At 1 January 2000 as previously reported	55,822	840	(94)	443
Prior year adjustment	–	–	–	(7,728)
At 1 January 2000 as restated	55,822	840	(94)	(7,285)
Purchase of ordinary share capital for cancellation	(483)	–	–	–
Exchange difference on retranslation	–	–	(7)	–
Profit for the year	–	–	–	40,811
Amortisation of deferred gain on asset sold to joint venture	–	(17)	–	–
At 31 December 2000	55,339	823	(101)	33,526

Other reserves comprise an exchange loss on retranslation.

Included in the profit and loss account above is £3,000 (1999 – £nil) representing the retained earnings of the Group's associated undertakings and £367,000 (1999 – £367,000) for the Group's joint venture.

	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit & loss account £'000
Company:				
At 1 January 2000 as previously reported	55,822	4,068	–	(2,879)
Prior year adjustment	–	(3,865)	–	(3,863)
At 1 January 2000 as restated	55,822	203	–	(6,742)
Purchase of ordinary share capital for cancellation	(483)	–	–	–
Movement on revaluation	–	66,764	–	–
Transfer to retained earnings	–	(46)	–	46
Loss for the year	–	–	–	(25,977)
At 31 December 2000	55,339	66,921	–	(32,673)

19. MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2000 £'000	Group 1999 restated £'000	Company 2000 £'000	Company 1999 restated £'000
Profit/(loss) for the financial year	40,811	(4,769)	(25,977)	(3,804)
Other recognised gains and losses relating to the year	(7)	(18)	66,764	(426)
Issue of ordinary share capital	–	665	–	665
Purchase of ordinary share capital for cancellation	(495)	–	(495)	–
Revaluation of freehold land and buildings	–	581	–	–
Amortisation of deferred gain on asset sold to joint venture	(17)	128	–	–
Acquisition of minority interest	–	(152)	–	–
Net change in shareholders' funds	40,292	(3,565)	40,292	(3,565)
Shareholders' funds at 1 January as restated	51,878	55,443	51,878	55,443
Shareholders' funds at 31 December	92,170	51,878	92,170	51,878

The prior year adjustment reflects the change in accounting policies arising from the implementation of FRS 15 and the change from "full cost" to "successful efforts" method of accounting for exploration and development expenditure. The opening shareholders' funds at 1 January 2000, prior to the adjustment were £59,606,000 (1999 – £59,483,000) for Group and Company.

20. 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 £227,000 (1999 – £260,000). Contributions totalling £nil (1999 – £12,000) were payable to the funds at the year end. Details of the scheme are as follows:

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

(b) The other Executive Directors belong to a non-contributory scheme where the Company contributes at a rate of 15% of salary.

(c) Other staff are eligible to join the Group's defined contribution schemes after three months service with the Group. The Group contributes between 5% and 10% of each participating employees' salary to the scheme. The employees contribute 5% of their salary to the scheme.

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Board reviews and agrees policies for managing financial risks.

The Group's strategy is to finance its operations through a mixture of retained profits and cash reserves. Equity finance, project finance and other alternatives are reviewed by the Board, when appropriate, to fund substantial acquisitions or oil and gas development prospects. The Group's principal financial instruments comprise investments, medium term receivables, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments, such as trade debtors and trade creditors, that arise directly from its operations. The Group treasury department monitors the availability of and requirement for funds in the Group. Surplus cash within the Group is put out on deposit in accordance with limits and counterparties agreed by the Board, the objective being to maximise returns on funds whilst ensuring that the short term cashflow requirements of the Group are met.

The Group may from time to time, with the approval of the Board, use derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and movements in oil and gas prices.

Financial instruments held for trading purposes
The Group does not undertake any trading activity in financial instruments.

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

Commodity price risk
The Group's oil and gas production was established during 1999 and is currently at nominal levels. Therefore, the commodity price risk exposure is low and financial instruments are not currently used to manage this risk. The Board will review this exposure as production increases.

Foreign currency risk
Although the Group reports in £ sterling, a large proportion of its business is conducted in US$. The Group manages this, and other exposures that arise from receipt of revenues in foreign currencies, by matching receipts and payments in the same currency and actively managing the residual net position. US dollar revenue generated by both divisions is currently used to meet the US dollar costs of the Oil and Gas Division. The Group has substantial US Dollar denominated debtors but expects that much of its near term capital expenditure will also be US dollar denominated, consequently the Group considers that any fluctuation in exchange rates is likely to have a minimal effect on the Group, and no sensitivity analysis has therefore been presented. Exchange rates are monitored in conjunction with forecast currency requirements by Group treasury. Currency exposures are shown in the

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

table below. Forward foreign exchange contracts were entered into during 2000 but there were no outstanding foreign exchange contracts at the start of the year or at the end of the year.

Liquidity/interest rate risk

Surplus funds on short term deposit are earning interest at rates between 4.5% and 5.7%. The Group has no debt. Board approval is required for all new borrowing facilities. Details of interest rate profiles are shown below. The Group has not used any interest rate swaps or other instruments to manage its interest profile during 2000.

Market risk

Exposure to interest rate fluctuations is minimal as the Group currently has no debt. Interest rates in the UK are relatively stable and the impact of a fluctuation in the interest rate on interest earned on the Group's short term deposits is likely to be minimal. The impact of a hypothetical relative 10% adverse movement in the interest rate across all short term deposits would have the effect of decreasing interest income in 2001 by £448,000.

(a) Interest rate risk profile of financial assets

The interest rate risk profile of financial assets of the Group at 31 December 2000 is as follows:

Currency	Fixed rate financil assets £'000	Floating rate financial assets £'000	Financial assets on which no interest *is earned* £'000	*Total* £'000
Sterling	–	2,108	38	2,146
US Dollar	31	586	2	619
Norwegian Kroner	–	100	–	100
Other	57	93	6	156
	88	2,887	46	3,021

Financial assets include cash, deposits and investments.

(b) Currency exposures

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

Functional currency of Group operation	Net foreign currency monetary assets		
	US Dollars £'000	Other £'000	Total £'000
Sterling	96,296	152	96,448
Norwegian Kroner	241	–	241
	96,537	152	96,689

Foreign exchange gains totalling £249,000 have been recognised in the profit and loss account for the year.

(c) Fair values of financial assets and financial liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and (liabilities) at 31 December 2000. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	Book value 2000 £'000	Fair value 2000 £'000
Primary financial instruments:		
Other financial liabilities	(303)	(303)
Fixed asset investments	911	911
Cash	2,942	2,942
Short term deposits	79	79

There were no forward contracts in place at the year end

21. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *(continued)*

Short term deposits

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

22. OTHER FINANCIAL COMMITMENTS

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Group:				
Operating leases which expire:				
Within one year	64	–	65	9
In the second to fifth years inclusive	60	12	38	22
Over five years	75	14	75	–
	199	26	178	31

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

Rental expenses are disclosed at Note 3.

23. RELATED PARTY TRANSACTIONS

The following transactions with related parties are disclosable.

S E Remp and N S Cumming, Executive Directors of Ramco Energy plc, are entitled to royalty payments from the Group in connection with the patent of a PCU which they have assigned to Ramco Tubular Services Limited, a subsidiary of Ramco Energy plc. S E Remp has waived his entitlement to all royalties from this agreement. This royalty entitlement for 2000 would have been £2,000. N S Cumming received £2,000 of the royalties paid during the year and is entitled to £2,000 of the accrued royalties.

In addition to his Board Fees as a Non-Executive Director, Sir Malcolm Rifkind undertakes consultancy including international travel on behalf of the Group. In the year to 31 December 2000 he received fees from the Group totalling £30,000 (1999 – £42,000).

During the year the Group provided accounting and administrative services to British Steel Ramco Pipeline Services Limited ("BSR"), which is a joint venture. The total value of these services was £8,000. The amount owed by BSR at the end of the year was £289,000. In addition, sales of £1,950,000 were made to Badentoy Tubular Services ("BTS"), an associated undertaking. The amount owed at the end of the year by BTS was £741,000.

24. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2000 £'000	1999 restated £'000
Operating loss	(21,816)	(6,697)
Exceptional gain on disposal of oil and gas interest	88,792	–
Amounts written off in respect of intangible oil and gas assets	18,274	3,689
Amortisation of goodwill	30	30
Depreciation on tangible fixed assets	1,033	853
Loss/(gain) on sale of tangible fixed assets	12	(334)
Amortisation of deferred gain on asset sold to joint venture	(17)	128
(Increase)/decrease in stocks	(29)	62
Increase in debtors	(96,484)	(1,040)
Increase/(decrease) in creditors	5,427	(793)
Increase/(decrease) in provisions	1,666	(62)
Exchange difference on retranslation	(6)	(23)
Net cash outflow from continuing operating activities	(3,118)	(4,187)

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

	2000 £'000	1999 restated £'000
(Decrease)/increase in cash in the year	(2,805)	1,131
Cash inflow from decrease in liquid resources	(15,388)	(11,738)
Change in net funds resulting from cash flows	(18,193)	(10,607)
Net funds at start of the year		
Cash at bank and in hand	5,747	4,616
Short term deposits	15,467	27,205
	21,214	31,821
Net funds at end of the year	3,021	21,214
Represented by:		
Cash at bank and in hand	2,942	5,747
Short term deposits	79	15,467
	3,021	21,214

Liquid resources represent short term deposits not qualifying as cash.

25. LITIGATION

The Company is currently in dispute with its partner in the Czech Republic, MND. MND has attempted unilaterally to terminate the association under which the exploration acreage has been exploited to date. Attempts to resolve the difference by negotiation have been unsuccessful and the dispute is now the subject of formal arbitration in Prague. Both parties have filed detailed claims and counter claims and a formal hearing before three arbitrators is scheduled for June 2001. Ramco is pursuing its claims vigorously, seeking either a continuation of the association according to its agreed terms or a satisfactory financial settlement.

26. GROUP UNDERTAKINGS

(a) Principal operating subsidiary undertakings at 31 December 2000.

	Country of registration	Class of shares	Proportion held	Nature of business
Oil & Gas Division				
Ramco Oil & Gas Limited	Scotland	Ordinary	100%	Oil and gas projects
Ramco Oil Limited	Scotland	Ordinary	100%	Oil and gas projects
Ramco Eastern Europe Limited	Scotland	Ordinary	100%	Oil and gas projects
Ramco Hazar Energy Limited (7)	Scotland	Ordinary	100%	Oil and gas projects
Ramco Hazar B.V. (1)	Netherlands	Ordinary	100%	Oil and gas projects
Ramco Energy (Muradkhanli) Limited (6)	Scotland	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas Limited	England	Ordinary	100%	Oil and gas projects
Medusa Czech Operations Limited (4)	Jersey	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas (Europe) B.V. (4)	Netherlands	Ordinary	100%	Oil and gas projects
Medusa Oil & Gas (Poland) Sp. zo.o. (5)	Poland	Ordinary	100%	Oil and gas projects
MMS Petroleum PLC (8)	Ireland	Ordinary	100%	Oil and gas projects
Oil Services Division				
Ramco Oil Services Limited	Scotland	Ordinary	100%	Holding company
Ramco Oil Services International Limited (2)	Scotland	Ordinary	100%	Holding company
Ramco Norway A/S (3)	Norway	Ordinary	100%	Tubular services
Ramco Tubular Services Limited (2)	Scotland	Ordinary	100%	Tubular services

In addition there are a number of dormant subsidiary undertakings.

(b) Associated undertakings at 31 December 2000:

Ramco Alnas Limited	*Scotland*	*Ordinary*	*50%*	*Dormant*
Ramco Canada Limited (3)	Canada	Ordinary	50%	Tubular services
Badentoy Tubular Services Limited (2)	Scotland	Ordinary	33⅓%	Tubular Services

(c) Joint Venture

British Steel Ramco Pipeline Services Limited (2)	England	Ordinary	50%	Pipeline coating

(1) Shares held by Ramco Oil and Gas Limited
(2) Shares held by Ramco Oil Services Limited
(3) Shares held by Ramco Oil Services International Limited
(4) Shares held by Medusa Oil and Gas Limited
(5) Shares held by Medusa Oil & Gas (Europe) B.V.
(6) Shares held by Ramco Hazar B.V.
(7) Shares held by Ramco Oil Limited
(8) Shares held by Ramco Eastern Europe Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the members of Ramco Energy plc will be held at The Marcliffe at Pitfodels, North Deeside Road, Aberdeen on 20 June 2001 at 12.30 p.m. to conduct the following business:

1. To receive the Directors Report, the financial statements for the year ended 31 December 2000, and the Auditors' Report thereon.
2. To consider the re-appointment of D Boyle, who has been appointed to the Board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
3. To consider the re-appointment of S E Remp, who retires by rotation and being eligible offers himself for re-election as a Director.
4. That PricewaterhouseCoopers 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. As special business to consider the following Resolution as an Ordinary Resolution:

   That in accordance with Article 19 of the Articles of Association of the Company, the Directors be and they are hereby *authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to allot relevant securities* (as defined in the said Section 80) up to the amount of the sum equal to $^1/_3$ of the issued share capital of the Company as at the date hereof, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company, except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry.
6. As special business to consider the following Resolution as a Special Resolution:

   That in accordance with Article 20 of the Articles of Association of the Company, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (as defined in Section 94 of the Act) for cash as if sub-section 89(1) of the Act did not apply to the allotment of equity securities pursuant to the provisions of that Article, provided that (i) for the purpose of paragraph (c) of that Article the nominal amount shall not exceed £129,500, 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.
7. As special business to consider the following Resolution as a Special Resolution:

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

   (a) the maximum number of ordinary shares hereby authorised to be acquired is 2,583,000 ordinary shares of 10p each being approximately 10% of the issued share capital;

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

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

By order of the Board

C G MOAR
Company Secretary
4 Rubislaw Place, Aberdeen AB10 1XN
20 April 2001

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

The Company, pursuant to regulation 34 of the Uncertificated Securities Regulations 1995 (as amended) specifies that only those shareholders registered in the register of members of the Company at 12.30 p.m. on 18 June 2001 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

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

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

ADVISERS

SECRETARY

CHRISTOPHER G MOAR MA CA

REGISTERED OFFICE

4 Rubislaw Place Aberdeen AB10 1XN Registered in Scotland number 62845

INVESTOR RELATIONS

LISA NEWMAN

Ramco Energy plc 4 Rubislaw Place Aberdeen AB10 1XN

FINANCIAL ADVISERS AND NOMINATED ADVISER

Brewin Dolphin Securities Limited 7 Drumsheugh Gardens Edinburgh EH3 7QH

AUDITORS

PricewaterhouseCoopers 32 Albyn Place Aberdeen AB10 1YL

SOLICITORS

Ledingham Chalmers Johnstone House 52-54 Rose Street Aberdeen AB10 1UD

Burness Solicitors 50 Lothian Road Festival Square Edinburgh EH3 9WJ

BANKERS

Clydesdale Bank PLC Queen's Cross Aberdeen AB15 4XU

REGISTRARS

Capita IRG plc Balfour House 390-398 High Road Ilford IG1 1NQ

NOMINATED STOCKBROKER

Investec Henderson Crosthwaite Securities 2 Gresham Street London EC2V 7QP

WEBSITE

www.ramco-plc.com

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No ANG 1468

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CAPITA IRG plc
BALFOUR HOUSE
390-398 HIGH ROAD
ILFORD
ESSEX
IG1 1BR

FIRST FOLD

THIRD FOLD AND TUCK IN

PROXY FORM

(PLEASE USE BLOCK CAPITALS)

I/We ____

of ____

being (a) members(s) of Ramco Energy plc hereby appoint the Chairman of the meeting or*

____

as my/our proxy to vote for me/us on my/our behalf at the twenty-third Annual General meeting of the Company to be held on 20 June 2001 and at any adjournment thereof.

Date______________________Signature______________________

Please indicate the manner in which the proxy is to vote with an 'X' in the space provided. Where no 'X' is inserted, the proxy will vote or abstain at his discretion.

Resolution	For	Against
1 To receive the report of the Directors, the financial statements for the year ended 31 December 2000 and the report of the Auditors thereon.		
2 To re-appoint Mr D Boyle as a Director.		
3 To re-appoint Mr S E Remp as a Director.		
4 To re-appoint PricewaterhouseCoopers, Chartered Accountants, as Auditors and to authorise the Directors to fix the remuneration of the Auditors.		
5 To authorise the Directors to allot unissued shares in the capital of the Company.		
6 To approve the special resolution as detailed in the notice of meeting.		
7 To approve the special resolution giving the Company limited power to purchase its own shares.		

Notes

1. This proxy to be effective must be lodged with the Company's Registrar not less than 48 hours before the time for which the meeting has been convened.
2. Any alterations made in the form of proxy should be initialled.
3. Any one of joint holders is entitled to grant a proxy. However, the vote of the senior who tenders a vote, either in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, seniority being determined by the order in which the names stand in the register of members.
4. In the case of a Corporation this proxy must be completed either under seal or under the hand of an officer or attorney duly authorised and lodged with the power of Attorney or other authority under which it is signed, or a notarially certified copy thereof.

* If any other proxy is preferred, please add the name of the proxy you wish to appoint in the space provided and *delete the reference to the Chairman of the meeting.*

A proxy need not be a member of the Company.

GLOSSARY OF TERMS

ACG	Azeri, Chirag & Deepwater Gunashli Field Offshore Azerbaijan
ACT	Advance Corporation Tax
ADR	American Depository Receipts
ADS	American Depository Shares
AGM	Annual General Meeting
AIM	Alternative Investment Market of the London Stock Exchange
AIOC	Azerbaijan International Operating Company – joint company established to operate ACG field
AMEX	American Stock Exchange
boepd	barrels of oil equivalent per day
bpd	barrels of oil per day
BSR	British Steel Ramco Pipeline Services Limited
BTS	Badentoy Tubular Services Limited
FIFO	First In First Out
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
IT	Information Technology
km	kilometre
LIBOR	London Interbank Offer Rate
Medusa	Medusa Oil & Gas Limited and its subsidiaries
MMS	MMS Petroleum PLC and its subsidiaries
MMscf	million standard cubic feet
Mscf	thousand standard cubic feet
MND	Moravské Naftové Doly a.s.
MOC	Muradkhanli Operating Company – company established to operate the Muradkhanli field onshore Azerbaijan
OPEC	Organisation of Petroleum Exporting Countries
PCU	Pipe Care Unit
PSA	Production Sharing Agreement
RAL	Ramco Alnas Limited
Ramco	Ramco Energy plc and its subsidiaries
RWE	RWE-DEA *Aktiengesellschaft für Mineraloel und Chemie*
SFAS	Statement of Financial Accounting Standards
SOCAR	State Oil Company of the Azerbaijan Republic
sq km	square kilometre
SWG	*Shallow Water Gunashli* – shallow part of the Gunashli field offshore Azerbaijan
The Company	Ramco Energy plc
The Group	The Company and its subsidiaries
USM	Unlisted Securities Market

"Proven" In relation to quantities of petroleum, means the amount which geophysical and engineering data indicate to be recoverable to a high degree of certainty. For the purposes of this definition, there is a 90% chance that the actual quantity will be more than the amount estimated as "Proven" and a 10% chance it will be less.

"Probable" In relation to quantities of petroleum, means the amount which geophysical and engineering data indicate to be recoverable but with a greater element of risk than in "Proven". For the purposes of this definition, there is a 50% chance that the actual quantity will be more than the amount estimated as "Proven and Probable" and a 50% chance it will be less.

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