

Independent Resources plc

A stylized sun logo consisting of a blue circle with a white outline and a white center, surrounded by twelve dark blue triangular rays.

Annual report 2008

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Company information

Board of directors

G G Nash (executive chairman)
G H S Staley (managing director)
R Bencini (technical director)
T B James (financial director)
A R H Thomas (non-executive director)

Company secretary

T B James

Registered office

The Hollow
Penn Lane
Melbourne
Derbyshire
DE73 8EP

Registered number

5483127 (England and Wales)

Auditors

Mazars LLP
Tower Bridge House
St. Katharine's Way
London
E1W 1DD

Solicitors

Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

Nominated adviser

Deloitte Corporate Finance
Athene Place
66 Shoe Lane
London
EC4A 3BQ

Broker

Seymour Pierce
20 Old Bailey
London
EC4M 7EN

Registrars

Share Registrars Limited
Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey
GU9 7LL

Financial PR

Tavistock Communications Limited
131 Finsbury Pavement
London
EC2A 1NT

Website

www.ir-plc.com

Chairman's statement

Year ended 30 September 2008

Against a background of steadily increasing turmoil in world financial markets, it is at least pleasing to report a milestone year for Independent Resources during the 12 month period to 30 September. The Company achieved significant progress with its planned underground gas storage ("UGS") project at Rivara in Italy's Po Valley, bringing in a major Italian partner and securing a politically significant, long-term anchor customer. It also made strong advances with its plans for the development of the proposed coal bed methane ("CBM") project at Fiume Bruna in Grosseto Province, Italy's first CBM project. In August, we successfully raised £6.91 million from institutional investors. With these solid achievements behind us, and liquid resources of £8.46 million, the Board has every confidence that the Company is now strongly positioned to move forward steadily through what threatens to continue as a period of difficult global economic conditions. Our confidence is further underpinned by the knowledge that our cash resources do not take account of the remaining €7.12 million (£5.7 million) to be invested by our new Italian partner at Rivara in line with the investment agreement.

Rivara underground gas storage project

As in the past, Independent Resources continued to work carefully through the year within the complex framework laid down by the regulatory and environmental processes in Italy, where Rivara remains its key project. The Board characterises Rivara as a much-needed infrastructural investment in an extremely under-supplied market, and as a project that is relatively insensitive to short-term fluctuations in market conditions. This deeply-buried, highly-fractured limestone structure has inherent geological characteristics that make it ideal for summer gas storage and rapid winter withdrawal, using the benefit of a natural water drive. It is also located right at the hub of Italy's gas transmission system, along the main trunkline corridor from North Africa into Southern Europe.

The signing in June of a €9.5 million agreement to sell 15% of Rivara to the major Italian energy group ERG ranked as a crucial step forward for Independent Resources – not only because it marked the arrival of a heavyweight Italian energy partner, but also because it brought additional expertise to the Company's delicate negotiations with the relevant Italian authorities and other stakeholders. Aided by ERG, the Company continues at a deliberately measured pace in its discussions with Italy's Ministry of the Environment and other interested parties. Rivara's planning approval process involves an Environmental Impact Study ("VIA") reviewed by national and regional governments.

As we reported to shareholders at the time of our August fundraising, the recently-elected Italian government has declared a relatively pro-business and pro-development platform which we expect to improve efficiency within certain ministries key to Rivara. The Ministry of Environment itself has inherited a new VIA process from the outgoing government that is proclaimed to be more transparent and purely technical than previously, as well as more efficient in its interaction with the public. We are of course encouraged by this stated approach, but continue to remain aware of the need for the careful involvement of all the parties affected by the planned development of Rivara, at all levels of government.

For the Italian gas system, disrupted during recent winters by severe supply shortages, the importance of Rivara can be judged from the fact that the project will provide an expected nameplate working gas capacity of 3.2 billion cubic metres (113 billion cubic feet) and the ability to deliver in excess of 32 million cubic metres (1.13 billion cubic feet) of gas per day. For Independent Resources, the arrival of ERG as an operating partner just a few months ago valued our 85% share in the project at €53.83 million (£43.07 million), equivalent to 106p per share. That important transaction was followed during July by an announcement that we had reached formal agreement with Confindustria Ceramica to provide it with up to 4% of Rivara's working gas capacity for gas storage. Confindustria Ceramica is not only one of Northern Italy's biggest gas consumers, but is also a federation of vitally-important industrial employers and producers in the region around Rivara. Moreover, we are continuing preliminary discussions with a small group of major energy companies with a view to welcoming a second strategic development partner into the Rivara project alongside ERG at the appropriate time. ►

Chairman's statement

Year ended 30 September 2008

- ▶ During the year, the Company also appointed Schlumberger, the oilfield services group, to advise on and manage the Rivara subsurface development programme. The Board believes that the appointment of Schlumberger reflects the need to bring world-class project management skills and technology to the planned development of Rivara. We have begun work to construct an integrated project model ahead of eventual drilling operations and data acquisition to provide information that will allow us to optimise the project's development using best available technology. It remains our intention to develop the safest, least invasive, most reliable, and highest performance storage facility in Europe. Based on an estimated development cost of €400 million, this onshore project provides potentially significant scale savings and obvious comparative value, with an estimated capital cost of €0.13 per cubic metre (£0.0028 per cubic foot) of storage capacity or €12.50 per cubic metre (£0.28 per cubic foot) per day of deliverability.

Fiume Bruna coal bed methane project

Our other ongoing project in Italy, the planned CBM development at Fiume Bruna (owned 100% by Independent Resources), also moved forward steadily during the year. Shortly before the financial year-end, the Italian government approved plans for production testing, following earlier approval during April from the Tuscan regional government for the Company's environmental submission. We will conduct 2D seismic acquisition work over the coming weeks, following which we intend to drill one well and conduct long-term tests to prove flow rates of gas and water. As at Rivara, we intend at Fiume Bruna to operate to the highest standards, and are working alongside Norwest Questa Engineering, a leading US consultancy group with specialist CBM expertise. We also plan to drill the balance of wells in the first pod, producing gas into local markets.

Fiume Bruna has an estimated 4.8 billion cubic metres (167 billion cubic feet) of in-place resource, and results from initial testing, announced in July 2007, indicated an estimated recoverable resource of 2.6 billion cubic metres (91.4 billion cubic feet). Drilling work to date has identified a single seam of gas-active coal approximately 7 metres thick. The main purpose of the planned production test is to determine gas production and any water flow rates from the coal in place. Longer-term, Fiume Bruna also has potential for carbon sequestration, permanently disposing of carbon dioxide ("CO₂") from nearby sources. At the same time, an estimated additional 1.8 billion cubic metres (63.6 billion cubic feet) of methane would be produced as a result of this injection of CO₂. The Board estimates that the net present value of the project would be increased significantly as a result. Independent Resources intends to apply for a full development concession when commercial production rates have been proven, and may seek a development partner to bring the project on stream following a declaration and subsequent permitting of commercial operations. A new extension to the south of Fiume Bruna has obtained its initial award, and the Company is now turning to its environmental impact assessment. Against the overall background of falling regional gas production and robust growth in demand, Fiume Bruna and its extension remain very attractive elements within our project portfolio.

Ksar Hadada permit

Our third active project, the onshore exploration acreage at Ksar Hadada in south-east Tunisia, lies on a permit that was renewed by the Tunisian government for a period of three years from April 2008. The permit is operated by Petroceltic, with Independent Resources holding a 40% interest. The Board believes the concession holds a potential recoverable resource in excess of 150 million barrels of oil equivalent (mmboe) net to the Company, before applying production sharing contract terms. Remapping of this 5,600 sq km permit area during the year under review not only confirmed the existing prospects, but also defined several new structures and identified a new hydrocarbon play in the block – the Acacus Sandstone – to add to the previously known Cambro-Ordovician play. Encouragingly, third parties have announced a Cambro-Ordovician discovery adjacent to the block to the south and this has now highlighted the potential of the Ksar Hadada structures. Discussions to farm-out part of the Company's interest in this concession continue with several potential partners. ▶

Chairman's statement

Year ended 30 September 2008

► New business opportunities

With these advances during the year, the Board is now also looking forward to new business development opportunities, drawing on our experience to date and the expertise we have developed over the past six years. We reported at the time of our fundraising during August that Independent Resources has filed an application for the award of an exploration permit covering an area onshore Italy as part of our continued business development plan. We are also studying opportunities to become involved in the development of another underground gas storage facility elsewhere in Europe, which would dovetail well with our existing operational and corporate structure. These new initiatives are at an early stage but we look forward to updating our shareholders as we make progress.

Because it is a natural extension of the specialist expertise we have developed in-house, another area where we feel it is time to consider practical solutions is in the field of geological carbon sequestration of "greenhouse" CO₂ emissions. Many large power producers are investigating carbon capture and storage ("CCS"), a process that captures CO₂ from power stations, so that it is prevented from entering the Earth's atmosphere. It is a technology that is developing all the time and could well make fossil-fuelled generation a viable low-carbon option for the future. The Company can offer power producers practical solutions to permanently store (sequester) their CO₂ in suitable underground reservoirs, and is seeking joint ventures to generate economic as well as environmental benefits from this technology in the form of carbon tax allowances and emission credits.

These potential new developments are highly promising in terms of our future growth, but our first priority is to deliver maximum shareholder value from our existing projects. Moreover, our focus will remain limited to supplying and operating in our current markets. We are aware that many of our peers have adopted an opportunistic strategy, some more successfully than others, but we believe that focusing on the markets where we have a real presence will yield more value to shareholders. We will not walk away from opportunities arising from consolidation in this market and nor will we compromise with the objective of maximising returns to invested capital.

Looking forward

In such trying times for the world economy, the Board of course remains cautious about the outlook for the coming 12 months. However, we are bolstered by the recognition received during our drive towards the end of the financial year to raise our profile among institutional investors, which culminated in our successful fundraising. Since then, widely reported setbacks for two planned gas storage projects in the UK, while unfortunate for the companies involved, have served to underscore the long-term value of our key project at Rivara. Our strong cash position means we are well positioned to move forward in line with our planned cautious approach. With a strengthened institutional shareholder base, we have also reported to shareholders that the Company's directors, including myself, increased their own shareholdings in the Company before the year end. This is a clear expression of our own confidence in the business moving forward, and we shall continue to work in the best interest of all of our shareholders during the months ahead.



Grayson Nash

Executive Chairman

19 November 2008

The directors' report

Year ended 30 September 2008

The directors submit their report and accounts for the year from 1 October 2007 to 30 September 2008. The comparative period is from 1 July 2006 to 30 September 2007.

Principal activities

Independent Resources plc is the holding company for a group of companies engaged in the appraisal and development of a number of integrated oil and gas related projects. The objective of the Board is to build an integrated energy group with assets initially in the Mediterranean, with the possibility of integrating additional projects from further afield.

Results and dividends

Turnover for the period was £16,737, and the consolidated profit before tax was £2,665,438. The directors have not declared any dividend in respect of the year ended 30 September 2008.

Business review

A review of the current and future development of the group's business is given in the chairman's statement starting on page 2.

The directors consider operating loss currently to be the key financial performance indicator of the group. The key non-financial performance indicators are:

- approval of full planning application for the Rivara project
- drilling results at Fiume Bruna

Directors and directors' interests

The directors who served during the year were as follows:

G G Nash
G H S Staley
R Bencini
T B James
A R H Thomas

The Articles of Association of the company state that at each Annual General Meeting one-third of the directors who are subject to retirement by rotation or, if their number is not three nor a multiple of three, the number nearest to but not exceeding one-third, shall retire from office.

Therefore G G Nash will retire by rotation at the third Annual General Meeting and, being eligible, offers himself for re-election.

		1 October 2007 Ordinary shares of 1p each	30 September 2008 Ordinary shares of 1p each	Percentage of issued share capital
G G Nash	Note 1	6,037,350	6,095,350	14.97%
G H S Staley	Note 2	5,625,000	5,625,000	13.82%
R Bencini	Note 3	5,625,000	5,625,000	13.82%
T B James	Note 4	121,000	146,491	0.36%
A R H Thomas	Note 5	16,667	31,667	0.08%

Note 1 5,625,000 shares held by Grayson Nash, LLC, a company controlled by G G Nash and 470,350 shares held by Pershing Nominees Limited as a nominee company for the benefit of A H Nash, wife of G G Nash.

Note 2 5,625,000 shares held by P K Staley, wife of G H S Staley.

Note 3 5,625,000 shares held by GAIA srl, a company controlled by R Bencini.

Note 4 96,000 shares held by Pershing Nominees Limited as a nominee company for the benefit of T B James as well as 43,550 for J James, wife of T B James, with a further 6,941 through the personal pension fund of T B James.

Note 5 31,667 shares held by Giltspur Nominees Limited as a nominee company for the benefit of A R H Thomas. ►

The directors' report

Year ended 30 September 2008

► Financial risk management

The group's operations expose it to financial risks that include liquidity risk, interest rate and foreign exchange risk. The group does not have any debt and is not therefore required to use derivative financial instruments to manage interest rate costs nor is hedge accounting applied.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The group's finance department implements the policies set by the board of directors.

Price risk

The directors do not consider there is a price risk to the business. The group has no exposure to equity securities price risk as it holds no listed or other equity investment.

Credit risk

At this early stage of the group's development, in the absence of significant customers, it does not have a material credit risk.

Liquidity risk

The group actively manages its working finance to ensure the group has sufficient funds for operations and planned expansion.

Interest rate cash flow risk

The group does not have interest-bearing liabilities. Interest-bearing assets are only cash balances that earn interest at a floating rate.

The directors do not consider there to be a material cash flow risk following its recent further fundraising through the issue of additional equity.

Foreign exchange risk

The group principally operates in the euro area, with some exposure to the US dollar. It does not currently consider the risk of exposure to these currencies to be material. As such the directors do not currently consider it necessary to enter into forward exchange contracts. This situation is monitored on a regular basis.

Directors' insurance

The company has taken out an insurance policy to indemnify the directors and officers of the company against liability when acting for the company.

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 and of the profit or loss for that period. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

The directors confirm that:

- there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. ►

The directors' report

Year ended 30 September 2008

► Substantial shareholdings

The following interests of 3% or more in the company's share capital have been reported at 10 November 2008:

Name	Ordinary shares of 1p each	Percentage held
Credit Suisse Client Nominees (UK) Limited	3,518,522	8.64%
Credit Suisse Securities (Europe) Limited	3,605,000	8.85%
HSBC Global Custody Nominee (UK) Limited	1,789,790	4.40%
Pershing Nominees Limited	3,654,855	8.98%
G G Nash	6,095,350	14.97%
G H S Staley	5,625,000	13.82%
R Bencini	5,625,000	13.82%

Note 1 From Pershing Nominees Limited holdings there has been deducted 470,350 shares held by A H Nash, wife of G G Nash, included with G G Nash's holding.

Supplier payment policy

It is the group's policy to pay suppliers in accordance with the terms of business agreed with them. The number of days' purchases outstanding for the group at the end of September 2008 was 42 days (2007: 30 days).

Employees

The group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the group. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged.

Share option scheme

The share option scheme was adopted by the company on 25 November 2005. It was established to reward and incentivise the executive management team for delivering share price growth. The share option scheme will be administered by the Remuneration Committee.

Directors' share options

Name of director	Start of period	Number of options		Market price at date of exercise	End of period	Exercise price	Earliest date for exercise	Latest date for exercise
		Granted in the period	Exercised in the period					
G G Nash Discretionary	501,500	–	–	–	501,500	60p	25/11/2008	25/11/2015
G H S Staley Discretionary	501,500	–	–	–	501,500	60p	25/11/2008	25/11/2015
R Bencini Discretionary	501,500	–	–	–	501,500	60p	25/11/2008	25/11/2015
T B James Discretionary	334,333	–	–	–	334,333	60p	25/11/2008	25/11/2015
A R H Thomas Discretionary	16,667	–	–	–	16,667	60p	25/11/2008	25/11/2015

There have been no variations to the terms and conditions of performance criteria for the share options during the financial year. ►

The directors' report

Year ended 30 September 2008

► Corporate governance

Compliance with the Combined Code

The directors recognise the value of the Combined Code on Corporate Governance, and whilst under AIM rules full compliance is not required, the directors believe that the company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

Board of directors

The board of directors comprises four executive directors and one non-executive director who qualifies as an independent non-executive director as defined in the Combined Code. The directors are of the opinion that the board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The board, through the chairman and executive directors in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the board develops an understanding of the views of major shareholders about the company.

The board meets regularly throughout the year and met 12 times during the year to 30 September 2008. The board is responsible for formulating, reviewing and approving the company's strategy, financial activities and operating performance. Day-to-day management is devolved to the executive directors who are charged with consulting the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among the directors concerned where necessary and appropriate.

All necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the company's expense, as and when required.

The participation of both private and institutional investors at the Annual General Meeting is welcomed by the board.

Internal controls

The directors acknowledge their responsibility for the company's and the group's systems of internal control, which are designed to safeguard the assets of the group and ensure the reliability of financial information for both internal use and external publication. Overall control is ensured by a regular detailed reporting system covering both technical progress of a project and the state of the group's financial affairs. The board has put in place procedures for identifying, evaluating and managing any significant risks that face the group.

Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

Committees

Each of the following committees has its own terms of reference.

Audit Committee

The Audit Committee comprises the non-executive director and the executive chairman. Its terms of reference indicate at least two regular meetings per year and its formal meeting, to review the 2008 audit, took place on 13 November 2008. All directors received a copy of the audit report prior to the meeting and had an opportunity to comment. The meeting was attended by the auditors.

The finance director and a representative of the external auditors are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee.

The Audit Committee's primary responsibilities are to review the effectiveness of the company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors. ►

The directors' report

Year ended 30 September 2008

► Remuneration Committee

The Remuneration Committee plans to meet at least twice in each year. It met twice during the year. Its members are A R H Thomas (chairman) and T B James, both of whom were in attendance at the meetings.

The company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the board a framework for the remuneration of the chairman, the executive directors and the senior management of the company. The principal objective of the committee is to ensure that members of the executive management of the company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company. Non-executive fees are considered and agreed by the board as a whole.

Going concern

After making enquiries, the directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the company and group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

Auditors

Mazars LLP were appointed as auditors in 2007. In accordance with Section 385 of the Companies Act 1985, a resolution for their reappointment will be proposed at the next Annual General Meeting.

Annual General Meeting

The third Annual General Meeting of the company is to be held at 11 am on 18 December 2008 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA.

Signed by order of the directors



T B James
Secretary

19 November 2008

Independent auditors' report

Year ended 30 September 2008

To the shareholders of Independent Resources plc

We have audited the group and parent company financial statements (the "financial statements") of Independent Resources plc for the year ended 30 September 2008 which comprise the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Company Cash Flow Statement and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland).

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Registered Auditor
Chartered Accountants

Tower Bridge House, St. Katharine's Way,
London EC2A 2HA

Note: The maintenance and integrity of the Independent Resources plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were originally presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

Year ended 30 September 2008

	Notes	2008 £	15 month period 2007 £
Continuing operations			
Revenue	2	16,737	2,220
Cost of sales		–	–
Gross profit		16,737	2,220
Administrative expenses		(1,147,259)	(882,746)
Operating loss	3	(1,130,522)	(880,526)
Profit on dilution to minority interest	26	3,684,229	–
		2,553,707	(880,526)
Net financial income	6	111,731	224,167
Profit/(loss) on ordinary activities before taxation		2,665,438	(656,359)
Taxation	7	(30,000)	–
Profit/(loss) for the period		2,635,438	(656,359)
Attributable to:			
Minority interests	23	(23,230)	–
Shareholders' equity		2,658,668	(656,359)
Earnings per share (pence)	8		
From continuing operations			
Basic		7.8	(2.0)
Diluted		7.3	(2.0)

The notes on pages 17 to 35 form an integral part of these financial statements.

Consolidated balance sheet

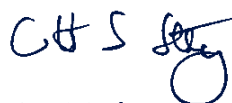
As at 30 September 2008

	Notes	2008 £	2007 £
Non-current assets			
Property, plant and equipment	10	62,516	122,497
Goodwill	12	4,604,965	2,044,146
Other intangible assets	13	3,715,788	2,444,320
		<u>8,383,269</u>	<u>4,610,963</u>
Current assets			
Trade and other receivables	15	4,869,125	338,590
Cash and cash equivalents	16	8,455,204	2,557,212
		<u>13,324,329</u>	<u>2,895,802</u>
Current liabilities			
Trade and other payables	18	(711,741)	(142,959)
Current taxation liabilities	18	(65,386)	(22,752)
		<u>(777,127)</u>	<u>(165,711)</u>
Net current assets		12,547,202	2,730,091
Net assets		<u>20,930,471</u>	<u>7,341,054</u>
Equity attributable to equity holders of the parent			
Share capital	19	407,115	334,333
Share premium account	20	12,444,974	5,843,828
Shares to be issued	21	4,602,634	2,041,815
Share option reserve	21	368,185	238,237
Foreign currency translation reserve	21	290,596	(6,109)
Profit and loss reserve	21	1,547,618	(1,111,050)
Total equity		<u>19,661,122</u>	<u>7,341,054</u>
Minority interests	23	1,269,349	–
		<u>20,930,471</u>	<u>7,341,054</u>

These financial statements were approved by the board of directors on 19 November 2008



T B James



G H S Staley

The notes on pages 17 to 35 form an integral part of these financial statements.

Company balance sheet

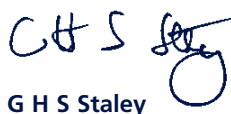
As at 30 September 2008

	Notes	2008 £	2007 £
Non-current assets			
Property, plant and equipment	11	8,233	18,847
Interest in subsidiary undertakings	14	5,107,207	2,261,242
Amounts receivable from group undertakings	15	4,145,646	3,042,782
		<u>9,261,086</u>	<u>5,322,871</u>
Current assets			
Trade and other receivables	15	84,346	53,208
Cash and cash equivalents	16	7,437,971	2,522,257
		<u>7,522,317</u>	<u>2,575,465</u>
Current liabilities			
Trade and other payables	18	(524,280)	(93,988)
Current taxation liabilities	18	(39,425)	(9,884)
		<u>(563,705)</u>	<u>(103,872)</u>
Net current assets		6,958,612	2,471,593
Net assets		<u>16,219,698</u>	<u>7,794,464</u>
Equity			
Share capital	19	407,115	334,333
Share premium account	20	12,444,974	5,843,828
Shares to be issued	21	4,602,634	2,041,815
Share option reserve	21	368,185	238,237
Profit and loss reserve	21	(1,603,210)	(663,749)
Equity shareholders' funds		<u>16,219,698</u>	<u>7,794,464</u>

These financial statements were approved by the board of directors on 19 November 2008



T B James



G H S Staley

The notes on pages 17 to 35 form an integral part of these financial statements.

Consolidated statement of changes in equity

Year ended 30 September 2008

	Profit and loss reserve £	Share capital £	Share premium £	Shares to be issued £	Share option reserve £	Exchange difference on investment £	Total £
Group							
1 July 2006	(454,691)	334,333	5,843,828	2,041,815	75,802	(1,297)	7,839,790
Loss for the period	(656,359)	–	–	–	–	–	(656,359)
Share-based payments	–	–	–	–	162,435	–	162,435
Exchange difference on investment	–	–	–	–	–	(4,812)	(4,812)
30 September 2007	(1,111,050)	334,333	5,843,828	2,041,815	238,237	(6,109)	7,341,054
1 October 2007	(1,111,050)	334,333	5,843,828	2,041,815	238,237	(6,109)	7,341,054
Profit for the year	2,658,668	–	–	–	–	–	2,658,668
Revision of estimate of cost of acquisition	–	–	–	2,560,819	–	–	2,560,819
New shares issued	–	72,782	6,841,468	–	–	–	6,914,250
Transaction costs	–	–	(240,322)	–	–	–	(240,322)
Share-based payments	–	–	–	–	129,948	–	129,948
Exchange difference on investment	–	–	–	–	–	296,705	296,705
30 September 2008	1,547,618	407,115	12,444,974	4,602,634	368,185	290,596	19,661,122
Company							
1 July 2006	(326,147)	334,333	5,843,828	2,041,815	75,802	–	7,969,631
Loss for the period	(337,602)	–	–	–	–	–	(337,602)
Share-based payments	–	–	–	–	162,435	–	162,435
30 September 2007	(663,749)	334,333	5,843,828	2,041,815	238,237	–	7,794,464
1 October 2007	(663,749)	334,333	5,843,828	2,041,815	238,237	–	7,794,464
Loss for the year	(939,461)	–	–	–	–	–	(939,461)
Revision of estimate of cost of acquisition	–	–	–	2,560,819	–	–	2,560,819
New shares issued	–	72,782	6,841,468	–	–	–	6,914,250
Transaction costs	–	–	(240,322)	–	–	–	(240,322)
Share-based payments	–	–	–	–	129,948	–	129,948
30 September 2008	(1,603,210)	407,115	12,444,974	4,602,634	368,185	–	16,219,698

The notes on pages 17 to 35 form an integral part of these financial statements.

Consolidated cash flow statement

Year ended 30 September 2008

	2008 £	15 month period 2007 £
Cash flows from operating activities		
Profit/(loss) before taxation	2,665,438	(656,359)
Adjustments for:		
Depreciation of property, plant and equipment	24,385	24,981
Loss on disposal of property, plant and equipment	30,604	–
Financial income	(111,731)	(224,324)
Financial costs	–	157
	<hr/>	<hr/>
	2,608,696	(855,545)
Increase in trade and other receivables	(4,530,535)	(228,406)
Increase in trade and other payables	581,416	45,890
Share-based payments	129,948	162,435
Exchange rate difference on investments	52,765	(7,631)
	<hr/>	<hr/>
Cash used in operations	(1,157,710)	(883,257)
Interest paid	–	(157)
	<hr/>	<hr/>
Net cash used in operating activities	(1,157,710)	(883,414)
Cash flows from investing activities		
Interest received	111,731	224,324
Proceeds on disposal of property, plant and equipment	15,421	–
Purchase of intangible assets	(1,035,278)	(1,808,398)
Purchases of property, plant and equipment	(2,679)	(42,430)
Issue of share capital to minority	1,292,579	–
	<hr/>	<hr/>
Net cash from/(used in) investing activities	381,774	(1,626,504)
Cash flows from financing activities		
Issue of share capital	6,914,250	–
Share issue costs	(240,322)	–
	<hr/>	<hr/>
Net cash from financing activities	6,673,928	–
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	5,897,992	(2,509,918)
Cash and cash equivalents at 1 October 2007	2,557,212	5,067,130
	<hr/>	<hr/>
Cash and cash equivalents at 30 September 2008	<u>8,455,204</u>	<u>2,557,212</u>

The notes on pages 17 to 35 form an integral part of these financial statements.

Company cash flow statement

Year ended 30 September 2008

	2008 £	15 month period 2007 £
Cash flows from operating activities		
Loss before taxation	(909,461)	(337,602)
Adjustments for:		
Depreciation of property, plant and equipment	10,614	9,823
Financial income	(199,655)	(286,043)
Financial costs	–	157
	<u>(1,098,502)</u>	<u>(613,665)</u>
Increase in trade and other receivables	(31,138)	(11,411)
Increase in trade and other payables	429,833	1,039
Share-based payments	129,948	162,435
	<u>(569,859)</u>	<u>(461,602)</u>
Cash used in operations	(569,859)	(461,602)
Interest paid	–	(157)
	<u>(569,859)</u>	<u>(461,759)</u>
Net cash used in operating activities	(569,859)	(461,759)
Cash flows from investing activities		
Interest received	199,655	286,043
Purchases of property, plant and equipment	–	(20,666)
Increase in amounts owing by subsidiary undertakings	(1,102,864)	(2,111,898)
Acquisition of shares in subsidiaries	(285,146)	(209,156)
	<u>(1,188,355)</u>	<u>(2,055,677)</u>
Net cash used in investing activities	(1,188,355)	(2,055,677)
Cash flows from financing activities		
Issue of share capital	6,914,250	–
Share issue costs	(240,322)	–
	<u>6,673,928</u>	<u>–</u>
Net cash from financing activities	6,673,928	–
Net increase/(decrease) in cash and cash equivalents	4,915,714	(2,517,436)
Cash and cash equivalents at 1 October 2007	2,522,257	5,039,693
Cash and cash equivalents at 30 September 2008	<u>7,437,971</u>	<u>2,522,257</u>

The notes on pages 17 to 35 form an integral part of these financial statements.

Notes to the financial statements

Year ended 30 September 2008

1. Accounting policies

General information

These financial statements are for Independent Resources plc ("the company") and subsidiary undertakings. The company is registered in England and Wales and incorporated under the Companies Act 1985. The nature of the company's operations and its principal activities are set out in the Directors' Report on page 5.

The principal accounting policies are summarised below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The group has not adopted the following standards in the preparation of the financial statements, as they are either not effective as at 30 June 2008 or not applicable to the group's business.

New/revised International Financial Reporting Standards		Issued/revised	Effective date
IFRS 2	Share-based payment – Amendment relating to vesting conditions and cancellations	Revised 2008	Annual periods beginning on or after 1 January 2009
IFRS 3	Business combinations – Comprehensive revision on applying the acquisition method	Revised 2008	Annual periods beginning on or after 1 July 2009
IFRS 5	Non-current assets held for sale and discontinued operations – Amendments resulting from May 2008 annual Improvements to IFRSs	Revised May 2008	Annual periods beginning on or after 1 July 2009
IFRS 8	Operating segments	Original issuance 2006	Annual periods beginning on or after 1 July 2009

Revised International Accounting Standards		Revised	Effective date
IAS 1	Presentation of financial statements – Comprehensive revision including requiring a statement of comprehensive income	2007	Annual periods beginning on or after 1 January 2009
IAS 1	Presentation of financial statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	2008	Annual periods beginning on or after 1 July 2009
IAS 23	Borrowing costs – Comprehensive revision to prohibit immediate expensing	2007	Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009
IAS 27	Consolidated and separate financial statements – Consequential amendments arising from amendments to IFRS 3	2008	Annual periods beginning on or after 1 July 2009
IAS 27	Consolidated and separate financial statements – Amendment relating to cost of an investment on first-time adoption	2008	Annual periods beginning on or after 1 January 2009
IAS 28	Investments in associates – Consequential amendments arising from amendments to IFRS 3	2008	Annual periods beginning on or after 1 July 2009
IAS 31	Interests in joint ventures – Consequential amendments arising from amendments to IFRS 3	2008	Annual periods beginning on or after 1 July 2009
IAS 32	Financial instruments: presentation – Amendments relating to puttable instruments and obligations arising on liquidation	2008	Annual periods beginning on or after 1 January 2009
IAS 39	Financial instruments: recognition and measurement – Amendments for eligible hedged items	July 2008	Annual periods beginning on or after 1 July 2009

Notes to the financial statements

Year ended 30 September 2008

► 1. Accounting policies continued

Interpretations

IFRIC 12	Service concession arrangements	Annual periods beginning on or after 1 January 2008
IFRIC 13	Customer loyalty programmes	Annual periods beginning on or after 1 July 2008
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	Annual periods beginning on or after 1 January 2008
IFRIC 15	Agreements for the construction of real estate	Annual periods beginning on or after 1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	Annual periods beginning on or after 1 October 2008

The preparation of financial statements in conformity with IFRS accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The Board has reviewed the accounting policies set out below and considers them to be the most appropriate to the group's business activities.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries under the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Acquisitions are accounted for under the acquisition method.

(c) Going concern

The financial information has been prepared assuming the group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the 12 months from the date of approval of the financial statements.

(d) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of its subsidiaries and jointly controlled entities at the dates of acquisition. The cost of acquisition will include any contingent liabilities in relation to the purchase cost. Any such contingent liability will have been measured at fair value.

Goodwill is recognised as an asset and reviewed for impairment at least annually.

The increase in the estimate in the cost of the business combination is treated as an addition to goodwill and an addition to the deferred shares to be issued (shares to be issued – see note 21).

(e) Property, plant and equipment

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss. Land is stated at cost and is not depreciated.

Depreciation is charged so as to write off the cost or valuation of assets less any residual value over their estimated useful lives, using the straight line method, on the following bases:

Office equipment 33.3% straight line

(f) Other intangible assets – exploration licence costs

Exploration and evaluation expenditure comprises costs which are directly attributable to researching and analysing exploration data. It also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. When it has been established that a mineral deposit has development potential, all costs (direct and applicable overhead) incurred in connection with the exploration and development of the mineral deposits are capitalised until either production commences or the project is not considered economically viable. In the event of production commencing, the capitalised costs are amortised, through administrative expenses, over the expected life of the mineral reserves on a unit of production basis. Other pre-trading expenses are written off as incurred. Where a project is abandoned or is considered to be of no further interest the related costs are written off. ►

Notes to the financial statements

Year ended 30 September 2008

► 1. Accounting policies continued

(g) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Taxation

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted, or substantively enacted, by the balance sheet date.

Deferred taxation

The financial statements do not include a deferred tax asset in respect of carry forward of unused losses as the directors are unable to assess, with accuracy, whether there will be future taxable profits available against which the unused tax losses can be utilised.

(i) Conversion of foreign currency

Foreign currency transactions are translated at the average exchange rates over the period. Liabilities are translated at the rates prevailing at the balance sheet date or, where applicable, under related forward exchange contracts. Assets are translated at the rates ruling at the balance sheet date.

(j) Share-based payments

The fair value of equity instruments granted to employees is charged to the income statement with a corresponding increase in equity. The fair value of share options is measured at grant date, using the Black-Scholes model, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest, except where forfeiture is due to market-based criteria.

(k) Shares to be issued

The consideration on acquisition of Independent Gas Management srl was deferred. Whereas 25% of the consideration will be payable after three years, the remaining 75% depends on the progress of the share price.

(l) Turnover

Turnover represents the invoiced value for the sale of consultancy services and is stated net of VAT. ►

Notes to the financial statements

Year ended 30 September 2008

► 1. Accounting policies continued

(m) Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Receivables and other assets

Receivables and other assets are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Shares to be issued are held at their fair value.

(n) Accounting estimates and judgments

The preparation of financial statements in conforming with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from those estimates. Revisions to these estimates are made in the period in which they are recognised.

(o) Use of estimates

The assumptions concerning the future, and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of intangibles and goodwill

Determining whether the group's projects remain technically feasible, that the necessary approvals from regulators will be obtained, that they will be commercially viable and that the group will be able to obtain the necessary finance to complete them.

Deferred consideration

The recoverability and fair value of the deferred consideration is determined by the group. Management monitors the ability of the acquirer to settle the deferred consideration through monitoring the current economic trend and its financial performance and position. Where expectation is different from the original estimate, such differences will impact the carrying value of the deferred consideration. Any indication of recoverability and change in fair value is adjusted for accordingly.

Shares to be issued

The value of shares to be issued is determined by the group's share price reaching certain levels at certain dates in the future. If these conditions are not met then a corresponding adjustment will be required to be made.

Income tax

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these measures is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(p) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost. ►

Notes to the financial statements

Year ended 30 September 2008

► 1. Accounting policies continued

(q) Commitments and contingencies

Commitments and contingent liabilities are disclosed in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(r) Events after the balance sheet date

Post year-end events that provide additional information about a company's position at the balance sheet date and are adjusting events are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

2. Revenue and segmental information

The group's operations are located in England, Italy and Tunisia.

The group has generated £2,200 (2007: £2,220) of revenue during the period in its Tunisian operations and £14,537 (2007: nil) in its Italian operations.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

	United Kingdom £	Italy £	Tunisia £	Total £
2008				
Carrying amount of segment assets	8,233	54,283	–	62,516
Additions to property, plant and equipment in the year	–	2,679	–	2,679
Depreciation charges	10,614	13,771	–	24,385
Carrying amount of liabilities	563,705	100,720	112,702	777,127
Results for the year	(371,548)	3,008,623	(1,637)	2,635,438
2007				
Carrying amount of segment assets	18,847	103,650	–	122,497
Additions to property, plant and equipment in the period	20,666	21,764	–	42,430
Depreciation charges	9,823	15,158	–	24,981
Carrying amount of liabilities	103,688	32,836	29,187	165,711
Results for the period	(337,602)	(316,444)	(2,313)	(656,359)

3. Expenses and auditors' remuneration

The operating loss is stated after charging the following amounts:

	2008 £	2007 £
Depreciation of property, plant and equipment – owned	24,385	24,981
Parent company's auditors' remuneration – audit of parent company and group accounts	32,000	30,000
Non-associated subsidiaries' auditors' remuneration – audit of subsidiaries	9,181	–
Rent of land and buildings	75,089	64,897
Share options	129,948	162,435
Net foreign exchange gains	(323,123)	(46,031)

Notes to the financial statements

Year ended 30 September 2008

► 4. Aggregated directors' remuneration

The total amounts for directors' remuneration were as follows:

	2008 £	2007 £
Emoluments detailed below paid under Service Agreements	275,800	332,883
Share-based payments	129,948	162,435
Total	<u>405,748</u>	<u>495,318</u>

Directors' emoluments

Directors' remuneration for the year was:

	Salary/fees £	Pension £	Benefits £	Total £
2008				
Aggregate emoluments	<u>245,800</u>	<u>30,000</u>	–	<u>275,800</u>
2007				
Aggregate emoluments	<u>301,633</u>	<u>31,250</u>	–	<u>332,883</u>

The directors' emoluments detailed above include amounts paid in respect of the highest paid director:

	2008 £	2007 £
Salary/emolument	165,220	189,375
Contributions to money purchase pension scheme	–	–

The group reimburses the directors for expenses incurred by them or their service companies in the performance of their duties for the group.

Share options

The share option scheme, which was adopted by the company on 25 November 2005, has been established to reward and incentivise the executive management team for delivering share price growth. The share option scheme will be administered by the Remuneration Committee.

Options were granted over 1,838,833 ordinary shares on 25 November 2005 to executive directors and options over 16,667 ordinary shares were granted to A R H Thomas on the same date.

Pension arrangements

The company is obliged to make contributions of £5,000 and £25,000 per annum to the personal pension schemes for G H S Staley and T B James respectively.

Consultancy agreements

In addition to the Service Agreements the following consultancy agreements have been entered into:

Individual providing service	Parties to consultancy agreement
G G Nash	Independent Gas Management srl and Independent Energy Solutions srl (jointly) and Seaspray 2 srl – ongoing from 1 November 2005 at €15,000 per month.
R Bencini	Independent Gas Management srl, Independent Energy Solutions srl and Independent Resources (Ksar Hadada) Ltd (jointly) and GAIA srl – ongoing from 1 November 2005 at €15,000 per month.
T B James	Independent Resources plc and Boatsmill Europe Ltd – 1 July 2006 to 30 September 2006 at £11,750 for the quarter. ►

Notes to the financial statements

Year ended 30 September 2008

► 5. Staff costs and numbers

The average number of persons employed by the group during the year including executive directors is analysed below:

	2008	2007
Administration	8	8
	<u>8</u>	<u>8</u>

Group employment costs – all employees including executive directors

	2008 £	2007 £
Wages and salaries	356,455	382,009
Social security costs	49,070	56,625
Pension contributions	30,000	31,250
Share-based payments – equity-settled	129,948	162,435
	<u>565,473</u>	<u>632,319</u>

6. Net financial income

	2008 £	2007 £
Interest receivable and similar income	111,731	224,167
	<u>111,731</u>	<u>224,167</u>

7. Taxation

	2008 £	2007 £
Tax on profit on ordinary activities		
Taxation charged based on profits for the year		
UK corporation tax based on the results for the year at 19%	30,000	–
Less double tax relief	–	–
Overseas taxation	–	–
Current taxation	<u>30,000</u>	<u>–</u>
Deferred tax:		
(Decrease)/increase in provision for deferred tax	–	–
Total tax expense in income statement	<u>30,000</u>	<u>–</u>

Notes to the financial statements

Year ended 30 September 2008

► 7. Taxation continued

Reconciliation of the tax expense

The tax assessed for the period is different from the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2008 £	2007 £
Profit/(loss) on ordinary activities before taxation	2,665,438	(656,359)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	506,432	(124,708)
Effects of:		
Untaxed income on deemed disposal of interest in subsidiary	(701,189)	–
Deferred tax not provided	165,243	124,708
Exchange gain on net investment taken to reserves but taxable	59,514	–
Total current tax	30,000	–

8. Earnings per share

The calculation of basic and diluted earnings per share at 30 September 2008 was based on the profit attributable to ordinary shareholders of £2,658,668. The weighted average number of ordinary shares outstanding during the year ending 30 September 2008 and the effect of the potentially dilutive ordinary shares to be issued, without market conditions, in connection with the previous purchase of Independent Gas Management srl as described in note 21, are shown below.

Share options (see note 22) have also been added to the diluted weighted average ordinary shares for the purpose of calculating diluted earnings per share in accordance with IAS 33.

In accordance with IAS 33 and as the group reported a loss for the period to 30 September 2007, the shares to be issued in relation to the purchase of Independent Gas Management srl were not treated as dilutive. Contingently issuable shares such as included within the share option scheme or in connection with the acquisition of Independent Gas Management srl have not been treated as dilutive as the market conditions have not been met at 30 September 2008.

	2008 £	2007 £
Net profit/(loss) for the period	2,658,668	(656,359)
Basic weighted average ordinary shares in issue during the period	34,149,217	33,433,333
Diluted weighted average ordinary shares in issue during the period	36,401,828	33,433,333

9. Loss of the parent company

A loss of £939,461 has been dealt with in the financial statements of the parent company. The parent company is not required to produce its own profit and loss account because of the exemption provision in Section 230 of the Companies Act 1985. ►

Notes to the financial statements

Year ended 30 September 2008

► 10. Property, plant and equipment (group)

	Total £	Land £	Fixtures & fittings £
2008			
Cost			
1 October 2007	150,650	46,025	104,625
Exchange differences	9,784	–	9,784
Additions	2,679	–	2,679
Disposals	(46,025)	(46,025)	–
30 September 2008	<u>117,088</u>	<u>–</u>	<u>117,088</u>
Depreciation			
1 October 2007	28,153	–	28,153
Exchange differences	2,034	–	2,034
Charge for the year	24,385	–	24,385
30 September 2008	<u>54,572</u>	<u>–</u>	<u>54,572</u>
Carrying amount			
30 September 2008	<u>62,516</u>	<u>–</u>	<u>62,516</u>
30 September 2007	<u>122,497</u>	<u>46,025</u>	<u>76,472</u>
2007			
Cost			
1 July 2006	107,435	45,653	61,782
Exchange differences	785	372	413
Additions	42,430	–	42,430
30 September 2007	<u>150,650</u>	<u>46,025</u>	<u>104,625</u>
Depreciation			
1 July 2006	3,172	–	3,172
Charge for the period	24,981	–	24,981
30 September 2007	<u>28,153</u>	<u>–</u>	<u>28,153</u>
Carrying amount			
30 September 2007	<u>122,497</u>	<u>46,025</u>	<u>76,472</u>

Notes to the financial statements

Year ended 30 September 2008

▶ 11. Property, plant and equipment (parent company)

	Fixtures & fittings £
2008	
Cost	
1 October 2007 and 30 September 2008	31,842
Depreciation	
1 October 2007	12,995
Charge for the year	10,614
30 September 2008	23,609
Carrying amount	
30 September 2008	8,233
30 September 2007	18,847
2007	
Cost	
1 July 2006	11,176
Additions	20,666
30 September 2007	31,842
Depreciation	
1 July 2006	3,172
Charge for the period	9,823
30 September 2007	12,995
Carrying amount	
30 September 2007	18,847



Notes to the financial statements

Year ended 30 September 2008

► 12. Goodwill (group)

	Goodwill £
Cost	
1 October 2007	2,044,146
Revision of estimate of cost of acquisition	2,560,819
	<u>4,604,965</u>
Carrying amount	
30 September 2008	<u>4,604,965</u>
30 September 2007	<u>2,044,146</u>
2007	
Cost	
1 July 2006	2,044,146
Revision of estimate of cost of acquisition	–
	<u>2,044,146</u>
Carrying amount	
30 September 2007	<u>2,044,146</u>

Goodwill included within the financial statements relates to the Rivara project previously in Independent Gas Management srl and transferred to ERG Rivara Storage srl during the year. A review of the latest management information and projections shows a net present value significantly in excess of assets and liabilities relating to this project. The main assumptions indicate that no significant change has arisen on these calculations which would materially impact on the group.

The continuing analysis and testing of technical data continues to indicate that the project is feasible.

The group continues to work towards, and is confident of, obtaining all the necessary approvals from regulatory authorities.

The project is expected to generate revenue after nine years and to continue doing so for a further 35 years.

The group anticipates being able to raise the necessary finance to continue to develop the project. ►

Notes to the financial statements

Year ended 30 September 2008

▶ 13. Other intangible assets (group)

	Development and exploration £
Cost	
1 October 2007	2,444,320
Exchange differences	236,190
Additions	1,035,278
30 September 2008	<u>3,715,788</u>
Amortisation	
1 October 2007	–
Charge for the year	–
30 September 2008	<u>–</u>
Carrying amount	
30 September 2008	<u>3,715,788</u>
30 September 2007	<u>2,444,320</u>
The primary intangible assets, all internally generated, are as follows:	
Rivara storage facility	1,772,203
Fiume Bruna coal bed methane project	1,138,059
Ksar Hadada exploration acreage	805,526
	<u>3,715,788</u>
2007	
Cost	
1 July 2006	633,888
Exchange differences	2,034
Additions	1,808,398
30 September 2007	<u>2,444,320</u>
Amortisation	
1 July 2007	–
Charge for the year	–
30 September 2007	<u>–</u>
Carrying amount	
30 September 2007	<u>2,444,320</u>



Notes to the financial statements

Year ended 30 September 2008

► 14. Shares in subsidiary undertakings

	2008 £
Cost	
1 October 2007	2,261,242
Additions in year	2,845,965
30 September 2008	<u>5,107,207</u>

At 31 March 2008 the parent company capitalised, as required by Italian law, £285,146 of its intercompany loans to its subsidiaries.

The directors have revised their estimate of the cost of the acquisition of Independent Gas Management srl based upon the market conditions at the year end and the probability of issuing shares, contingent upon market conditions, at a later date and at a higher value than previously estimated. In light of this, the fair value of the acquisition has been increased by £2,560,819.

Details of the subsidiaries, all of which have a 30 September year end, are as follows:

Subsidiary	Class of share	% owned	Country of registration	Aggregate capital & reserves	Loss for the year
Independent Energy Solutions srl	Ordinary	100%	Italy	(237,778)	(227,219)
Independent Gas Management srl	Ordinary	100%	Italy	(438,214)	(482,651)
Independent Resources (Ksar Hadada) Limited	Ordinary	100%	England & Wales	(3,949)	(1,637)
ERG Rivara Storage srl	Ordinary	85%	Italy	8,462,321	(155,605)

The group's interest in ERG Rivara Storage srl is entirely through the shareholding of Independent Gas Management srl.

15. Trade and other receivables

	2008		2007	
	Group £	Company £	Group £	Company £
Deferred subscription payments re subsidiary undertaking's equity shares due from minorities	4,168,868	–	–	–
Other receivables	604,956	15,362	250,884	19,126
Amounts owing by subsidiary undertakings	–	4,145,646	–	3,042,782
Prepayments	95,301	68,984	87,706	34,082
	<u>4,869,125</u>	<u>4,229,992</u>	<u>338,590</u>	<u>3,095,990</u>

Trade receivables in the group principally comprise expenditure recharged to project partners in September 2008. No impairment provisions have been made.

Other receivables in the group and the company principally comprise recoverable Value Added Tax.

The directors consider that the carrying amount of trade and other receivables approximated their fair value. ►

Notes to the financial statements

Year ended 30 September 2008

▶ 16. Cash and cash equivalents

	2008		2007	
	Group £	Company £	Group £	Company £
Bank balances	408,802	24,480	42,308	7,353
Call deposits	8,046,402	7,413,491	2,514,904	2,514,904
Cash and cash equivalents	<u>8,455,204</u>	<u>7,437,971</u>	<u>2,557,212</u>	<u>2,522,257</u>

A charge over bank balances has been registered, for securing all monies due or becoming due from the company to its bankers.

Credit risk

The group's principal financial assets are bank balances and cash and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK and Italian banks with high credit ratings assigned by international credit rating agencies.

17. Financial instruments and treasury risk management

Treasury risk management

The group manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risks.

Currency risks

The group's operations are primarily located in the United Kingdom, Italy and Tunisia, with the main exchange risk being between sterling and the euro. Each group company operates primarily within its local currency with little exposure to currency fluctuations other than on inter-group financing, with gains or losses thereon being eliminated through reserves on consolidation which do not affect earnings.

Due to the limited risks to the group, forward exchange contracts are not considered necessary and are not used.

Interest rate risks

The group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. The group's policy is therefore one of achieving high returns with minimal risks. In order to provide a degree of certainty, the group primarily invests in short-term fixed-interest treasury deposits.

Liquidity risk

The group currently has no operational revenue streams. Operational cash flow represents the ongoing appraisal and testing of the group's projects and administration costs. The group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The group's policy to ensure facilities are available as required is to issue equity share capital and form strategic alliances in accordance with long-term cash flow forecasts.

The group currently has no undrawn committed facilities as at 30 September 2008.

The financial market turbulence and associated illiquidity in credit markets during the year has had no impact on the group's ability to meet its financing requirements.

The group's financial liabilities are primarily trade payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines and all within one year.

Credit risks on banks

Credit risk related to the use of treasury instruments is managed on a group basis. This risk arises from transactions using cash and cash equivalents and deposits. To reduce credit risk, the group has concentrated its main activities with a limited group of banks that have secure credit ratings.

Derivative financial instruments

The group does not currently use derivative financial instruments as hedging is not considered necessary. Should the group identify a requirement for the future use of such financial instruments a comprehensive set of policies and systems as approved by the directors will be implemented.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard. No material embedded derivatives have been identified. ▶

Notes to the financial statements

Year ended 30 September 2008

► 17. Financial instruments and treasury risk management continued

Fair values of financial assets and liabilities

The group's financial assets and liabilities are all short-term in nature and their carrying amounts are a reasonable approximation of their fair value.

Commodity contracts

The group does not use commodity forward contracts and futures to hedge against price risk in commodities as these are not considered necessary.

Capital management

The group's activities are of a type and stage of development where the most suitable capital structure is that of one entirely financed by equities. The directors will reassess the future capital structure when projects under development are sufficiently advanced.

The group's financial strategy is to utilise its resources to further appraise and test the group's projects, forming strategic alliances for specific projects where appropriate. The group keeps investors and the market informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

Income statement sensitivity to changes in foreign exchange rates

The translation risk on the group's foreign exchange payables and receivables is considered to be immaterial due to their short term nature (see currency risks above). As the group does not use foreign exchange hedges, the income statement would be affected by £60,000 (2007: £25,000) by a reasonably possible 10 percentage point fluctuation in the exchange rate between sterling and the euro on the translation of foreign subsidiary results.

Income statement sensitivity to changes in interest rate

As described above, the group has an interest rate management policy aimed at achieving high returns with minimal risks. As part of this policy, a proportion of the funds has fixed interest rates though these are over short periods of no more than three months. For the purpose of sensitivity analysis, these are treated as floating rates. The income statement would be affected by £21,000 (2007: £43,000) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis.

18. Trade and other payables

	2008		2007	
	Group £	Company £	Group £	Company £
Trade payables	482,855	451,697	49,673	11,679
Amounts owing to subsidiary undertakings	–	–	–	184
Corporation tax	30,000	30,000	–	–
Other taxation and social security	35,386	9,425	22,752	9,884
Accruals	228,886	72,583	93,286	82,125
	<u>777,127</u>	<u>563,705</u>	<u>165,711</u>	<u>103,872</u>

Trade payables and accruals principally comprise amounts outstanding for ongoing costs and commission due to an Italian bank relating to the Rivara project.

The directors consider that the carrying amount of trade and other payables approximated their fair value. ►

Notes to the financial statements

Year ended 30 September 2008

▶ 19. Share capital

	2008		2007	
	Group £	Company £	Group £	Company £
Authorised 80,000,000 ordinary shares of 1p	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
Issued, called up and fully paid 40,711,491 ordinary shares of 1p	<u>407,115</u>	<u>407,115</u>	<u>334,333</u>	<u>334,333</u>

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the company.

On 26 August 2008, a further 7,278,158 ordinary shares of 1p were issued at a placing price of 95p each giving rise to a share premium of £6,841,468.

20. Share premium account

	2008		2007	
	Group £	Company £	Group £	Company £
1 October 2007	5,843,828	5,843,828	5,843,828	5,843,828
Premium arising on issue of equity shares	6,841,468	6,841,468	–	–
Transaction costs	(240,322)	(240,322)	–	–
30 September 2008	<u>12,444,974</u>	<u>12,444,974</u>	<u>5,843,828</u>	<u>5,843,828</u>



Notes to the financial statements

Year ended 30 September 2008

► 21. Statement of changes in equity

	Profit and loss reserve £	Share capital £	Share premium £	Shares to be issued £	Share option reserve £	Exchange difference on investment £	Total £
Group							
1 October 2007	(1,111,050)	334,333	5,843,828	2,041,815	238,237	(6,109)	7,341,054
Profit for the year	2,658,668	–	–	–	–	–	2,658,668
Revision of estimate of cost of acquisition	–	–	–	2,560,819	–	–	2,560,819
New shares issued	–	72,782	6,841,468	–	–	–	6,914,250
Transaction costs	–	–	(240,322)	–	–	–	(240,322)
Share-based payments	–	–	–	–	129,948	–	129,948
Exchange difference on investment	–	–	–	–	–	296,705	296,705
30 September 2008	1,547,618	407,115	12,444,974	4,602,634	368,185	290,596	19,661,122
Company							
1 October 2007	(663,749)	334,333	5,843,828	2,041,815	238,237	–	7,794,464
Loss for the year	(939,461)	–	–	–	–	–	(939,461)
Revision of estimate of cost of acquisition	–	–	–	2,560,819	–	–	2,560,819
New shares issued	–	72,782	6,841,468	–	–	–	6,914,250
Transaction costs	–	–	(240,322)	–	–	–	(240,322)
Share-based payments	–	–	–	–	129,948	–	129,948
30 September 2008	(1,603,210)	407,115	12,444,974	4,602,634	368,185	–	16,219,698

Share premium reserve represents the amounts subscribed for share capital in excess of the nominal value of the shares issued, net of cost of issue.

Share options reserve represents the cumulative fair value of share options granted.

Foreign currency translation reserve represents gains and/or losses arising on the retranslation of net assets of overseas operations.

Profit and loss account represents the cumulative net gains and losses recognised in the consolidated income statement.

On 19 July 2005, the group acquired 100% of the issued share capital of Independent Gas Management srl. The company agreed that the consideration would be paid by way of shares as follows:

- a) 862,376 shares to be issued to the sellers three years after acquisition date;
- b) Up to 2,587,124 shares to be issued only if certain market conditions are achieved.

Following a review of the cost of this business combination, the fair value of the cost of the acquisition has been revised by the directors to a higher carrying value due to a later estimated date of issue of the contingent shares disclosed in b) above. ►

Notes to the financial statements

Year ended 30 September 2008

► 22. Share-based payments

The share option scheme, which was adopted by the company on 25 November 2005, has been established to reward and incentivise the executive management team for delivering share price growth. The share option scheme will be administered by the Remuneration Committee.

It is intended that the options to be granted to any executive director of the company will be made subject to testing performance criteria. For the initial tranche of options granted to the executive directors, the performance criteria will require the company's share price to increase by at least 30 per cent compound per annum over a three-year performance period to become exercisable in full (with the initial performance period being measured from the date of Admission). For the initial tranche of options, share price performance will be measured taking the Placing Price as the starting point.

The performance criteria will permit retesting for an additional two years if the 30 per cent hurdle is not achieved after three years.

Details of the share options outstanding during the year are as follows:

Date of grant	01/10/2007 Number of shares	Issued in the year	30/09/2008 Number of shares	Date from which options may be first exercised	Lapse date	Price per share
25/11/2005	1,855,500	–	1,855,500	25/11/2008	25/11/2015	60p

The options outstanding at the end of the year have a weighted average remaining contractual life of 7.3 years.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price	65p
Weighted average exercise price	60p
Expected volatility	30%
Expected life	5 years
Risk-free rate	4.53%
Expected dividend yield	nil

The expected volatility was determined with reference to the industry volatility. This is because the company does not have historical volatility as it was admitted for trading on AIM in December 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The group recognised total expenses of £129,948 (2007: £162,435) related to equity-settled, share-based payment transactions during the year.

23. Minority interests

	2008 £	2007 £
1 October 2007	–	–
Loss for the year	(23,230)	–
New shares issued	1,292,579	–
30 September 2008	<u>1,269,349</u>	<u>–</u>

Notes to the financial statements

Year ended 30 September 2008

► 24. Financial commitments

The group leases all of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 5 to 6 years and many have break clauses.

The total future minimum lease payments are due as follows:

	2008 £	2007 £
Not later than one year	41,321	41,624
Later than one year and not later than five years	82,228	120,309
Later than five years	–	–
	<u>123,549</u>	<u>161,933</u>

25. Related party transactions

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

Trading transactions

During the period, group entities entered into trading transactions with related parties that are not members of the group. The parties involved and the principal transactions are as detailed in note 4. In addition to these transactions, incidental expenses incurred by the related parties have been recharged at cost.

Compensation of key management personnel

Details of compensation of key management personnel can be found in note 4.

26. Non-cash transactions

Exceptional item

On 24 June 2008, the group reorganised its interests in the Rivara gas management project as follows:

- ERG Rivara Storage srl was formed as a 100% subsidiary of Independent Gas Management srl with €1 share capital;
- Independent Gas Management srl transferred its interest in the Rivara gas management project to ERG Rivara Storage srl at an independently valued amount of €53,833,339 in exchange for shares in ERG Rivara Storage srl;
- ERG Rivara Storage srl issued further ordinary shares of €9,500,000 to a third party such as to reduce the group's interest to 85%.

The third party paid up 25% (€2,375,000) upon the issue of the shares. The balance outstanding is legally payable and is therefore included within amounts receivable in note 15. The balance is to be payable when called upon by the board of ERG Rivara Storage srl. The amount due to be received has been discounted by £1,468,000 to reflect the directors' estimates of the timing and amounts of those calls.

As a result of the above, the group has recognised an exceptional profit on the deemed disposal of a 15% interest in ERG Rivara Storage srl of £3,684,229 after deducting related costs of brokerage and commission of £1,071,015 paid by the group.

27. Contingency

As a condition of the subscription for shares, by the third party, in ERG Rivara Storage srl, it has been agreed that should the Rivara gas storage project be cancelled and that company be liquidated, the third party would receive a return of capital in preference to Independent Gas Management srl. Consequently it is a possibility that a substantial amount of the profit arising to the group as detailed in note 26 would need to be reversed. The directors consider that this possibility is remote and therefore have made no provision for this and the profit arising on this transaction has been recognised in full.

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