Independent Resources plc

2007
Annual report
and accounts

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
3 Sheldon Square
London W2 6PS

Solicitors
Ashurst
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
Craven House
West Street
Farnham
Surrey GU9 7EN

Financial PR
First City Financial Limited
21 Bloomsbury Way
London WC1A 2TH

Website
www.ir-plc.com

Chairman's statement

In reporting the progress made by Independent Resources plc ("Independent Resources", the "Company" or the "Group") in the 15 month period ended 30 September 2007, I would like to begin by relaying some very powerful comments made recently by Fulvio Conti, CEO of Enel S.p.A., the Italian power and gas company. In a presentation made to Italy's Chamber of Deputies on 25 September 2007, he reminded them of Italy's extreme and growing dependence on imported natural gas to meet its energy needs. He pointed out, in particular, that in January 2006 all sources of gas supplies (import transportation, national production and gas from storage) were at their technical limits despite government interventions to limit consumption. He also highlighted the difficult and time-consuming authorisation process for all energy assets which would allow Italy to enjoy a less precarious situation. In addition, he reminded the Members of Parliament that Italy's annual demand for gas is expected to grow by another 15 billion cubic meters over the nine year period following the crisis of almost two years ago, which laid bare just how vulnerable Italy's energy infrastructure has become.

Our shareholders are already well aware that against this backdrop and with its planned underground storage facility ("UGS") at Rivara in the Po Valley, Independent Resources has positioned itself to become a key player in Italy's gas storage market. We must recognise, however, that the project is not moving as quickly as we would like, despite continued positive momentum with environmental clearances. We are having to spend time carefully communicating to a concerned local population both the benign aspects and the material benefits of the planned facility and, although we can rely on the national and regional governments to remind everybody what is at stake, we are seeking above all to carry the local community with us. In the coming months we believe that we will be in a position to provide the guarantees that the local population justly demands, fully addressing issues of fundamental public interest.

As we announced in June, one key aspect of our approach has been the engagement of Italy's Banca Intesa San Paolo to advise us on negotiations with leading players involved in the gas supply and distribution industry who are actively seeking a stake in the Rivara project. Our appointment of advisers followed approaches from major integrated and non-integrated gas majors, who are keen to become users and/or operators of a large, high-performance storage asset located at the central point of Italy's gas supply system. Many gas operators in Italy are unable to execute a long-term business plan without predictable access to significant, low-cost and reliable storage.

We are currently reviewing these approaches with our advisers and we have indicated to interested parties that if the conditions are right, we would welcome the opportunity to form an early-stage strategic partnership. Our strategy leads us to favour major integrated gas companies with existing storage assets but these companies also tend to commit more slowly than more aggressive gas consumers and traders. We cannot predict at this stage what will be the outcome of the process, but will of course keep shareholders informed. Certainly a strategic partner would enable the Company to allocate its own resources more evenly across all of its projects.

We remain confident that Rivara is set to become a vital and reliable centrepiece for Italy's security of supply. Not only does it sit at the central point in the Italian gas system but it is also located at what we believe will become the hub of the Southern European "gas motorway". It is noteworthy that our potential strategic partners have agreed with our preliminary estimates of the potential of developing a commercial operation at Rivara. The world-class turnkey contractors that the Company would expect to engage to develop the project have indicated it could come on stream five years from the end of the permitting phase. Whilst the Board would aim to reduce that time, we accept that it is still a responsible estimate at this stage.

Further information on Rivara is provided in the Review of Operations on pages 4 and 5.

Period ended 30 September 2007

During the period, the Company also moved forward with its separate coal-bed methane work at Fiume Bruna near the town of Grosseto on Italy's North-Western coast. We can also report good progress in Tunisia, where we are managing the early stages of an exploration reappraisal for our licence partners at Ksar Hadada, close to entry points on the Trans-Mediterranean and Greenstream gas pipelines.

Fiume Bruna, Italy

The past year has seen the successful completion by the Company of the first coal-bed methane ("CBM") well on its Fiume Bruna permit in central Italy. We have learnt a lot from this well and the information obtained is being put to good use now in the planning of the next wells on the permit. Importantly, the data has also been used to validate our model of the CBM resource.

In January 2007 the Company submitted its application for the necessary approvals to carry out this next phase of work. Since then we have been interacting with the local, provincial and regional administrations to transform an objectively positive opinion in favour of the project into permitting reality.

Beyond the highly attractive volumes of methane that could be produced from Fiume Bruna, its longer term potential to act as storage site for carbon dioxide (CO_2) remains of strong interest. This "green" element of the project, a means of reducing emissions of CO_2 and enhancing methane production, has attracted much positive interest within the local region.

Ksar Hadada, Tunisia

The Company maintains a 40% interest in the 7,012 sq km Ksar Hadada exploration permit, onshore Tunisia. The large volumes of seismic and well data provided by the Tunisian state oil company to the Company and its partners have now been used to remap this huge area (equivalent to about 32 North Sea blocks). The Company has identified an additional prospect to add to the Sidi Toui and Oryx prospects and is encouraged by the potential that is appearing in the Acacus Sandstone play which, we understand, is currently proving prolific just over the border in Libya. I believe the Company and its partners are now strongly positioned to make highly informed decisions on the next steps for this block. We believe that it is now a good time to hold highly prospective acreage in a stable country, as many oil companies find themselves cash rich but with few opportunities to pursue. The Company and its partners have signalled a willingness to invite additional partners to demonstrate the potential of this block. Our objective is to intelligently and prudently exploit the very extensive opportunities on this block, all of which remain untested. We will be keeping the market abreast of developments in this area.

Grayson Nash
Executive Chairman

20 November 2007

Review of operations

During its second full year since incorporation, Independent Resources has continued to make considerable progress on each of its three assets, steadily advancing their development in order to create a highly focused, distinctive and ultimately profitable energy enterprise.

Rivara, Italy

Shareholders are already aware that our key asset is the proposed Rivara UGS facility near Bologna in Italy.

This is a massive fractured limestone formation with geological characteristics that are unusual and potentially of key importance to Italy's energy planners in several key ways at a time when the country is facing a growing shortfall in gas deliverability.

Crucially, its fracture characteristics and natural water drive mean it provides the capability to inject and withdraw natural gas rapidly to match seasonal demand patterns and take advantage of the associated trading opportunities. It is also located in a strategically important position, lying close to Italy's balancing point on the natural gas "highway" that supplies Europe from North Africa.

Taken together, its size, location and unusual geological characteristics mean Rivara has the potential to become one of Italy's largest and most valuable gas storage facilities. Innovative work undertaken by the Company to maximise the environmental benefits of Rivara also mean it is set to become one of Italy's most eco-friendly gas storage projects.

Independent Resources submitted its full planning application and accompanying environmental impact assessment ("EIA") for the Rivara development in September 2006, following more than a year of detailed preparation and consultation with the local, regional and national authorities. The EIA is similar in many ways to the UK's planning process and is designed to create public exposure as a means of ensuring that planned projects are compliant with environmental and regulatory requirements and viable within those parameters.

Although this process is inevitably time-consuming, we have explained in previous statements that the Company takes it very seriously, believing it to be part of a procedure that is not only necessary, but also that represents a good and just approach to the concerns of the local communities. Pursuant to subsequent requests by the Ministry of Environment for substantially more and detailed additional information to be integrated into the Company's EIA, Independent Resources filed these with the Ministry of Environment in June 2007. Progress has since been delayed because Italy's Ministry of Environment decided to re-organise the structure and method of its Environmental Impact Study proceedings and effectively terminated the Ministry's VIA Commission on 24 July 2007. The Commission is just now being re-established.

Following the Commission's termination, the Company received notification from the Ministry of Environment in early August 2007 that it was not yet possible to reach a decision on the Rivara EIA pending the provision of further information. The Company is therefore preparing to submit not only the requested information, but will also go beyond the scope of the request and deliver a holistic review of all its submissions to date. As we have mentioned before, the process is time-consuming but a vital part of the life of any meaningful energy asset development in Italy.

The Company will also implement a process that it is intended will enhance Rivara's profitability by generating electricity from the stored natural gas without actually burning the gas, before it is distributed for use by consumers. This highly efficient and environmentally friendly technology will use the flow pressure from gas withdrawals to drive turbines that will generate electricity for use onsite and for transmission to the Italian grid. In addition, over the last 12 months the Company's engineers have identified ways to recover heat from its compression units and transform this into additional electrical energy. The Company has been working diligently on increasing energy efficiency and developing state-of-the-art environmental impact mitigation.

Continuing our earlier work, further technical studies completed during the year have added significantly to our understanding of the reservoir's geological and production characteristics. The emphasis has been on enabling the Company to describe its safety and efficiency characteristics. In particular, the Company's engineers have been running reservoir simulations to analyse production profiles and the site's ability to respond to peak demand periods. One early and interesting outcome of this approach has been the identification of likely cost savings alongside reductions in our anticipated environmental impact. We look forward to the next phase of the project, which will likely be planned and executed by a leading petroleum services firm as soon as the permitting phase has been cleared.

Fiume Bruna, Italy

Following our successful drilling of the first CBM well in Italy we have, over the last year, completed the analysis of the coals retrieved from the well and of their gas content. The preliminary conclusions from this extensive body of knowledge are encouraging and have considerably increased our understanding of the CBM resource in our 100% held Fiume Bruna licence area. These conclusions have been derived following a collaborative effort involving Norwest Questa Engineering ("NQE") which found that the stratigraphic well penetrated coals that are gas saturated and contain a well developed cleat system in the bright bands. Gas saturation and cleating are conducive to CBM production. NQE is a leading US consultancy group with specialist CBM expertise. These results provide us not only with the confidence to move to the next phase of the project but also information vital to its planning.

This next phase involves the acquisition and processing of new seismic data and the drilling of a new well which will be put on long-term production test. Detailed planning for this work has continued with NQE throughout 2007 and is expected to be put into effect next year.

In January 2007 the Company lodged an application, including environmental impact assessment ("EIA"), for approval of this next phase. The approval covers not only the drilling of the next well and the acquisition of new seismic data but also up to seven additional wells in a predefined area. As part of the process the Company is currently providing responses to questions posed by the relevant authorities. Approval is expected within four months, upon receipt of which we will be ready to implement the work. Rigs and service companies who are available to carry out the work have been short-listed and negotiations are progressing with them; a seismic acquisition and processing contractor has been engaged. A number of project presentations have been made locally and regionally which have led to a wider public and governmental understanding of our project and to a good level of support.

More generally, there has been a heightening of interest in European CBM within the industry and the investment community. For Fiume Bruna this has translated into a number of unsolicited farm-in and financing approaches that underline the attractiveness of this project. Some of these approaches have been rejected whilst others continue to be considered by the board.

Ksar Hadada, Tunisia

Independent Resources holds a 40% interest in the prospective Ksar Hadada permit onshore Tunisia. We believe Ksar Hadada provides high-reward, low-cost targets with attractive production sharing terms in a stable and benign political environment.

Since the receipt last year of a large volume of new seismic and well data from the Tunisian national oil company, ETAP, the Company has been busy reprocessing, integrating and interpreting that data. This has been done by Independent Resources on behalf of all of the parties to the licence. It has been a major undertaking but the remapping of the 7,000 sq km block has yielded valuable new insights into the area which have significantly enhanced its prospectivity. The existing Sidi Toui and Oryx prospects have been better defined and validated and a new prospect, South Salah, added to the inventory. As well as the above, the Acacus Sandstone is now developing into an attractive play in Ksar Hadada. In the last few months oil flow rates greater than 12,000 barrels of oil per day have been achieved from the Acacus in exploration wells drilled across the border in Libya. In the light of these findings, we feel that our decision to delay drilling until after the remapping is completed was the right one.

Independent Resources and its partners in Ksar Hadada have received a number of approaches from companies keen to farm-in to the acreage which have so far resulted in an initial offer from one such party that would substantially fund a three-well programme. Over the past year, oil and gas activity in Tunisia has accelerated; almost all open onshore acreage has been licensed and a number of rigs suitable for our needs have been brought into the country. It is the intention of Independent Resources and our partners to pursue a partial farm-out over the next months. If consummated, such a deal is likely to lead to drilling soon thereafter.

Business growth

In addition to its three existing assets, Independent Resources has also been actively pursuing additional opportunities that are consistent with its strategy of growth through well-planned expansion into areas and project types that have a logical fit with our strengths and existing portfolio. Throughout the year we have seen considerable progress on several of these and hope to be in a position to make announcements in the near future.

Building on the foundations laid in our first year of operations, the last year has seen good progress across all three projects, despite delays in some areas. We are now poised for a busy and exciting year ahead.

Dr Stephen Staley
Managing Director

20 November 2007

The directors' report

The Directors submit their Report and Accounts for the period from 1 July 2006 to 30 September 2007. The comparative period is from 16 June 2005 (incorporation) to 30 June 2006.

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 £2,220, and the loss before tax was £656,359. The directors have not declared any dividend in respect of the period ended 30 September 2007.

Business review

A review of the current and future development of the group's business is given in the chairman's statement on page 2 and the review of operations on page 4.

The directors consider net 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
- approval of the Environmental Impact Study for the Fiume Bruna project

Directors and directors' interests

The directors who served during the period 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 T B James will retire by rotation at the second Annual General Meeting and, being eligible, offers himself for re-election.

		1 July 2006 Ordinary shares of 1p each	30 September 2007 Ordinary shares of 1p each	Percentage of issued share capital
G G Nash	note 1	6,037,350	6,037,350	18.0
G H S Staley	note 2	5,625,000	5,625,000	16.8
R Bencini	note 3	5,625,000	5,625,000	16.8
T B James	note 4	96,000	121,000	0.04
A R H Thomas		16,667	16,667	0.005

Note 1 5,625,000 shares held by Grayson Nash, LLC, a company controlled by G G Nash and 412,350 shares held by A H Nash, wife of G G Nash.

Note 2 5,625,000 shares held beneficially by Sanne Trust Company Limited as trustees for Traunsee Trust, of which G H S Staley, his wife and children are beneficiaries.

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

Note 4 96,000 held by Pershing Keen Nominees Limited as a nominee company for the benefit of T B James as well as 25,000 for J James, wife of T B James.

Period ended 30 September 2007

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 customers, it does not have a 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. However, for the group to achieve its planned expansion, it will require to raise funds in the form of equity and/or debt within the next 12 months.

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 continued

Substantial shareholdings

The following interests of 3% or more in the company's share capital have been reported at 14 November 2007:

Name		Ordinary shares of 1p each	Percentage held
HSBC Global Custody Nominee (UK) Limited		1,758,790	5.0%
Morston Nominees Limited		4,038,861	12.1%
Pershing Keen Nominees Limited	Note 1	4,026,562	12.0%
G G Nash		6,037,350	18.0%
G H S Staley		5,625,000	16.8%
R Bencini		5,625,000	16.8%

Note 1 from Pershing Keen Nominees Limited holdings there has been deducted 412,350 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 2007 was 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

		Number of options						
Name of director	Start of period	Granted in the period	Exercised in the period	Market price at date of exercise	End of period	Exercise price	Earliest date for exercise	Latest date for exercise
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 period.

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 nine times during the period to 30 September 2007. 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 2007 audit, took place on 13 November 2007. 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 continued

Remuneration Committee

The Remuneration Committee plans to meet at least twice in each year. It has met twice during the period. 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 second Annual General Meeting of the company is to be held at 11 a.m. on 21 December 2007 at the offices of Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA.

Signed by order of the directors

T B James.

T B James
Secretary

20 November 2007

Independent auditors' report Period ended 30 September 2007

To the members of Independent Resources plc

We have audited the group's financial statements for the period ended 30 September 2007, which comprise the Consolidated Income Statement, Consolidated Statement of Recognised Income and Expenses, 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 Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in 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, 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, 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 we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, Chairman's Statement, Review of Operations 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group and company's affairs as at 30 September 2007 and of the group's result for the period then ended;
- 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
3 Sheldon Square, London W2 6PS
Registered Auditor
Chartered Accountants

20 November 2007

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

Period ended 30 September 2007

	Notes	15 month period 2007 £	2006 £
Continuing operations			
Revenue	2	2,220	–
Cost of sales		–	–
Gross profit		2,220	–
Administrative expenses		(882,746)	(592,775)
Operating loss	3	(880,526)	(592,775)
Net financial income	6	224,167	138,084
Loss on ordinary activities before taxation		(656,359)	(454,691)
Taxation	7	–	–
Loss for the period		(656,359)	(454,691)
Earnings per share From continuing operations	8		
Basic		(0.02)	(0.02)
Diluted		(0.02)	(0.02)

Consolidated statement of changes in equity

Loss for the period	(656,359)	(454,691)
New shares issued and to be issued	–	9,308,785
Transaction costs	–	(1,088,809)
Share based payments	162,435	75,802
Exchange difference on investment	(4,812)	(1,297)
Total change in equity	(498,736)	7,839,790

The notes on pages 17 to 31 form an integral part of these financial statements.

Consolidated balance sheet

As at 30 September 2007

	Notes		30 September 2007 £		30 June 2006 £
Non-current assets					
Property, plant and equipment	10		122,497		104,263
Goodwill	12		2,044,146		2,044,146
Other intangible assets	13		2,444,320		633,888
			4,610,963		2,782,297
Current assets					
Trade and other receivables	15	338,590		110,184	
Cash and cash equivalents	16	2,557,212		5,067,130	
		2,895,802		5,177,314	
Current liabilities					
Trade and other payables	17	(142,959)		(103,998)	
Current taxation liabilities	17	(22,752)		(15,823)	
		(165,711)		(119,821)	
Net current assets			2,730,091		5,057,493
Net assets			7,341,054		7,839,790
Equity attributable to equity holders of the parent					
Share capital	18		334,333		334,333
Share premium account	19		5,843,828		5,843,828
Shares to be issued	20		2,041,815		2,041,815
Share option reserve	20		238,237		75,802
Foreign currency translation reserve	20		(6,109)		(1,297)
Losses	20		(1,111,050)		(454,691)
Total equity			7,341,054		7,839,790

These financial statements were approved by the board of directors on 20 November 2007

T B James **G H S Staley**

The notes on pages 17 to 31 form an integral part of these financial statements.

Company balance sheet

As at 30 September 2007

	Notes		30 September 2007 £		30 June 2006 £
Non-current assets					
Property, plant and equipment	11		18,847		8,004
Interest in subsidiary undertakings	14		2,261,242		2,052,086
Amounts receivable from group undertakings	15		3,042,782		930,884
			5,322,871		2,990,974
Current assets					
Trade and other receivables	15	53,208		41,797	
Cash and cash equivalents	16	2,522,257		5,039,693	
		2,575,465		5,081,490	
Current liabilities					
Trade and other payables	17	(93,988)		(93,372)	
Current taxation liabilities	17	(9,884)		(9,461)	
		(103,872)		(102,833)	
Net current assets			2,471,593		4,978,657
Net assets			7,794,464		7,969,631
Equity					
Share capital	18		334,333		334,333
Share premium account	19		5,843,828		5,843,828
Shares to be issued	20		2,041,815		2,041,815
Share option reserve	20		238,237		75,802
Losses	20		(663,749)		(326,147)
Equity shareholders' funds			7,794,464		7,969,631

These financial statements were approved by the board of directors on 20 November 2007

T B James **G H S Staley**

The notes on pages 17 to 31 form an integral part of these financial statements.

Consolidated cash flow statement

Period ended 30 September 2007

	15 month period 2007 £	2006 £
Cash flows from operating activities		
Loss before taxation	(656,359)	(454,691)
Adjustments for:		
Depreciation of property, plant and equipment	24,981	3,172
Financial income	(224,324)	(138,088)
Financial costs	157	4
	(855,545)	(589,603)
Increase in trade and other receivables	(228,406)	(94,749)
Increase in trade and other payables	45,890	108,292
Share based payment	162,435	75,802
Exchange rate difference on investments	(7,631)	(1,297)
Cash used in operations	(883,257)	(501,555)
Interest paid	(157)	(4)
Net cash used in operating activities	(883,414)	(501,559)
Cash flows from investing activities		
Interest received	224,324	138,088
Purchase of intangible assets	(1,808,398)	(633,888)
Purchases of property, plant and equipment	(42,430)	(106,676)
Acquisition of subsidiary	–	(6,996)
Net cash used in investing activities	(1,626,504)	(609,472)
Cash flows from financing activities		
Issue of share capital	–	7,266,970
Share issue costs	–	(1,088,809)
Net cash from financing activities	–	6,178,161
Net decrease in cash and cash equivalents	(2,509,918)	5,067,130
Cash and cash equivalents at 1 July 2006	5,067,130	–
Cash and cash equivalents at 30 September 2007	2,557,212	5,067,130

The notes on pages 17 to 31 form an integral part of these financial statements.

Company cash flow statement

Period ended 30 September 2007

	15 month period 2007 £	2006 £
Cash flows from operating activities		
Loss before taxation	(337,602)	(326,147)
Adjustments for:		
Depreciation of property, plant and equipment	9,823	3,172
Financial income	(286,043)	(140,059)
Financial costs	157	31
	(613,665)	(463,003)
Increase in trade and other receivables	(11,411)	(41,797)
Increase in trade and other payables	1,039	102,833
Share based payment	162,435	75,802
Cash used in operations	(461,602)	(326,165)
Interest paid	(157)	(31)
Net cash used in operating activities	(461,759)	(326,196)
Cash flows from investing activities		
Interest received	286,043	140,059
Purchases of property, plant and equipment	(20,666)	(11,176)
Increase in amounts owing by subsidiaries	(2,111,898)	(930,884)
Acquisition of shares in subsidiaries	(209,156)	(10,271)
Net cash used in investing activities	(2,055,677)	(812,272)
Cash flows from financing activities		
Issue of share capital	–	7,266,970
Share issue costs	–	(1,088,809)
Net cash from financing activities	–	6,178,161
Net decrease in cash and cash equivalents	(2,517,436)	5,039,693
Cash and cash equivalents at 1 July 2006	5,039,693	–
Cash and cash equivalents at 30 September 2007	2,522,257	5,039,693

The notes on pages 17 to 31 form an integral part of these financial statements.

Notes to the financial statements

Period ended 30 September 2007

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 6.

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.

(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) 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.

(d) 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

(e) 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.

(f) 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.

(g) 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.

Notes to the financial statements

(h) 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.

(i) 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.

(j) Accounting estimates and judgments
The preparation of financial statements in conforming with adopted IFRS 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.

(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. The directors believe there is an assurance and expectation that these will be met. Therefore deferred consideration has been recognised in full.

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

(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.

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.

(n) 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.

2. Revenue and segmental information

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

The group has generated £2,220 of revenue during the period in its Tunisian 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 £
2007				
Carrying amount of segment assets	18,847	103,650	–	122,497
Additions to property, plant & 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)
2006				
Carrying amount of segment assets	8,004	96,259	–	104,263
Additions to property, plant & equipment in the period	11,176	96,259	–	107,435
Depreciation charges	3,172	–	–	3,172
Carrying amount of liabilities	102,833	16,988	–	119,821
Results for the period	(326,147)	(128,544)	-	(454,691)

3. Expenses and auditors' remuneration

The operating loss is stated after charging the following amounts:

	2007 £	2006 £
Depreciation of property, plant and equipment – owned	24,981	3,172
Auditors' remuneration – audit	30,000	15,000
Rent of land and buildings	64,897	23,286
Share options	162,435	75,802
Net foreign exchange losses	(46,031)	12,288

Notes to the financial statements

4. Aggregated directors' remuneration

The total amounts for directors' remuneration were as follows:

	2007 £	2006 £
Emoluments detailed below paid under Service Agreements	332,883	152,083
Share based payments	162,435	75,802
Total	495,318	227,885

Directors' emoluments
Directors' remuneration for the period was:

	Salary/fees £	Pension £	Benefits £	Total £
2007				
Aggregate emoluments	301,633	31,250	–	332,883
2006				
Aggregate emoluments	148,333	3,750	–	152,083

	2007 £	2006 £
The directors' emoluments detailed above include amounts paid in respect of the highest paid director:		
Salary/emolument	189,375	96,667
Contributions to money purchase pension scheme	–	3,750

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 Resources plc and Seaspray 2 srl – 1 July 2005 to 31 October 2005 at £5,000 per month.
	Independent Gas Management srl and Independent Energy Solutions srl (jointly) and Seaspray 2 srl – ongoing from 1 November 2005 at €15,000 per month.
G H S Staley	Independent Resources plc and Derwent Resources Ltd – 1 July 2005 to 31 October 2005 at £5,000 per month.
R Bencini	Independent Resources plc and GAIA srl – 1 July 2005 to 31 October 2005 at £5,000 per month.
	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 June 2005 to 31 December 2005 at £60,000. From 1 January 2006 to 30 June 2006 at £12,500 per quarter. From 1 July 2006 to 30 September 2006 at £11,750 for the quarter.

5. Staff costs and numbers

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

	2007	2006
Administration	8	7
	8	7

Group employment costs – all employees including executive directors

	2007 £	2006 £
Wages and salaries	382,009	164,551
Social security costs	56,625	20,133
Pension contributions	31,250	3,750
Share based payments – equity settled	162,435	75,802
	632,319	264,236

Notes to the financial statements

6. Net financial income

	2007 £	2006 £
Interest receivable and similar income	224,167	138,084
	224,167	138,084

7. Taxation

	2007 £	2006 £
Tax on profit on ordinary activities		
Taxation charged based on profits for the period		
UK corporation tax based on the results for the period at 19%	–	–
Less double tax relief	–	–
Overseas taxation	–	–
Current taxation	–	–
Deferred tax:		
(Decrease)/increase in provision for deferred tax	–	–
Total tax expense in income statement	–	–

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:

	2007 £	2006 £
Loss on ordinary activities before taxation	(656,359)	(454,691)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(124,708)	(86,391)
Effects of:		
Deferred tax not provided	124,708	86,391
Total current tax	–	–

8. Earnings per share

The calculation of basic and diluted earnings per share at 30 September 2007 was based on the loss attributable to ordinary shareholders of £656,359 and a weighted average number of ordinary shares outstanding during the period ending 30 September 2007 of 33,433,333 as shown below.

In accordance with IAS 33 and as the group has reported a loss for the period, the share options are not dilutive.

	2007 £	2006 £
Net loss for the period	(656,359)	(454,691)
Basic and diluted weighted average ordinary shares in issue during the period	33,433,333	19,144,521

9. Loss of the parent company

A loss of £337,602 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.

The audit fee reported in note 3 was for the company and group. There was no separate audit fee for the subsidiaries.

10. Property, plant and equipment (group)

	Total £	Land £	Fixture & Fittings £
2007			
Cost			
1 July 2006	107,435	45,653	61,782
Exchange differences	785	372	413
Additions	42,430	–	42,430
30 September 2007	150,650	46,025	104,625
Depreciation			
1 July 2006	3,172	–	3,172
Charge for the period	24,981	–	24,981
30 September 2007	28,153	–	28,153
Carrying amount			
30 September 2007	122,497	46,025	76,472
30 June 2006	104,263	45,653	58,610
2006			
Cost			
16 June 2005	–	–	–
Additions	107,435	45,653	61,782
30 June 2006	107,435	45,653	61,782
Depreciation			
16 June 2005	–	–	–
Charge for the period	3,172	–	3,172
30 June 2006	3,172	–	3,172
Carrying amount			
30 June 2006	104,263	45,653	58,610

Notes to the financial statements

11. Property, plant and equipment (parent company)

	Fixtures & Fittings £
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
30 June 2006	8,004
2006	
Cost	
16 June 2005	–
Additions	11,176
30 June 2006	11,176
Depreciation	
16 June 2005	–
Charge for the period	3,172
30 June 2006	3,172
Carrying amount	
30 June 2006	8,004

12. Goodwill (group)

	Goodwill £
Cost	
1 July 2006	2,044,146
Additions – arising on acquisitions of subsidiaries	–
30 September 2007	2,044,146
Carrying amount	
30 September 2007	2,044,146
30 June 2006	2,044,146

Goodwill included within the financial statements relates to the Rivara project in Independent Gas Management srl. 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 9 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

13. Other intangible assets (group)

	Development and exploration £
Cost	
1 July 2006	633,888
Exchange differences	2,034
Additions	1,808,398
30 September 2007	2,444,320
Amortisation	
1 July 2006	–
Charge for the period	–
30 September 2007	–
Carrying amount	
30 September 2007	2,444,320
30 June 2006	633,888

14. Shares in subsidiary undertakings

	2007 £
Cost	
1 July 2006	2,052,086
Additions in period	209,156
30 September 2007	2,261,242

At 31 March 2007 the parent company capitalised, as required by Italian law, some of its intercompany loans to its subsidiaries.

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 period
Independent Energy Solutions srl	Ordinary	100	Italy	(220,627)	(240,725)
Independent Gas Management srl	Ordinary	100	Italy	(13,375)	(75,719)
Independent Resources (Ksar Hadada) Limited	Ordinary	100	England & Wales	(2,312)	(2,313)

15. Trade and other receivables

	2007		2006	
	Group £	Company £	Group £	Company £
Other receivables	250,884	19,126	79,807	19,365
Amounts owing by subsidiary undertakings	–	3,042,782	–	930,884
Prepayments	87,706	34,082	30,377	22,432
	338,590	3,095,990	110,184	972,681

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.

16. Cash and cash equivalents

	2007		2006	
	Group £	Company £	Group £	Company £
Bank balances	42,308	7,353	367,130	339,693
Call deposits	2,514,904	2,514,904	4,700,000	4,700,000
Cash and cash equivalents	2,557,212	2,522,257	5,067,130	5,039,693

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 banks with high credit ratings assigned by international credit rating agencies.

Notes to the financial statements

17. Trade and other payables

	2007		2006	
	Group £	Company £	Group £	Company £
Trade payables	49,673	11,679	66,681	57,189
Amounts owing to subsidiary undertakings	–	184	–	1
Other taxation and social security	22,752	9,884	15,823	9,461
Accruals	93,286	82,125	37,317	36,182
	165,711	103,872	119,821	102,833

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

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

18. Share capital

	2007		2006	
	Group £	Company £	Group £	Company £
Authorised 80,000,000 ordinary shares of 1p	800,000	800,000	800,000	800,000
Issued, called up and fully paid 33,433,333 ordinary shares of 1p	334,333	334,333	334,333	334,333

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.

Period ended 30 September 2007

19. Share premium account

	2007 Group £	2007 Company £	2006 Group £	2006 Company £
1 July 2006	5,843,828	5,843,828	–	–
Premium arising on issue of equity shares	–	–	6,932,637	6,932,637
Transaction costs	–	–	(1,088,809)	(1,088,809)
30 September 2007	5,843,828	5,843,828	5,843,828	5,843,828

20. 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 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
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

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 3 years after acquisition date.

(b) up to 2,587,124 shares to be issued only if certain market conditions are achieved.

Notes to the financial statements

21. 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	01/07/2006 Number of shares	Issued in the year	30/09/2007 Number of shares	Date from which options may be first exercised	Lapse date	Price 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 8.3 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 £162,435 (2006 – £75,802) related to equity-settled, share-based payment transactions during the period.

22. 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 is due as follows:

	2007 £	2006 £
Not later than one year	41,624	35,726
Later than one year and not later than five years	120,309	110,886
Later than five years	–	33,220
	161,933	179,832

The group paid a deposit of €66,000 for the acquisition of land in Italy in 2006. The group has an option over the land for €299,000 which is valid until March 2008.

23. 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.

24. Non-cash transactions

There were no major non-cash transactions during the period.

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