

**ISLE OF MAN - COMPANY NUMBER 6969V
ENGLAND AND WALES - COMPANY NUMBER FC022829**

TomCo Energy plc

Annual report and financial statements 2011

Board of Directors and Company Information

Isle of Man

Company number

6969V

England and Wales

FC022829

Country of incorporation

Isle of Man

Board of Directors

Sir Nicholas Bonsor – non executive chairman

Stephen Komlosy – chief executive officer

Miikka Haromo – finance director

Paul Rankine – non executive director

Secretary and Registered Office

Stuart J Adam CPFA. Chartered MCSI

2nd Floor

Sixty Circular Road

Douglas

Isle of Man IM1 1SA

Nominated adviser and broker

NUMIS Securities Ltd

The London Stock Exchange Building

10 Paternoster Square

London

EC4M 7LT

Registrars

Computershare Investor Services plc

PO Box 82

The Pavilions

Bridgwater Road

Bristol BS99 7NH

Auditors

BDO LLP

55 Baker Street

London W1U 7EU

Solicitors

Wallace LLP

1 Portland Place

London W1B 1PN

Bankers

Investec Bank

2 Gresham Street

London EC2V 7QP

Barclays Bank plc

Park House

Newbrick Road

Stoke Gifford

Bristol BS3Y 8ZJ

Wachovia Bank NA

1525 West W.T. Harris Boulevard

Charlotte, N.C.

FL 28262

USA

Directors' report

The Directors submit their report and the financial statements of the Company and of the Group for the year ended 30 September 2011.

Principal activity

The principal activity of the Group is that of developing oil shale leases for future production.

Risk assessment

The Group's oil and gas activities are subject to a range of financial and operational risks which can significantly impact on its performance.

Liquidity and interest rate risks

Cash forecasts identifying the liquidity requirements of the Group are produced frequently. These are reviewed regularly by management and the Board to ensure that sufficient financial headroom exists for at least a twelve month period. This strategy will continually be reviewed in the light of developments with existing projects and new project opportunities as they arise.

Currency risk

Due to the limited income and expenses denominated in foreign currencies, it was not considered cost effective to manage transactional currency exposure on an active basis. However, as the financial statements are reported in sterling and the Group's revenue and the majority of its exploration costs are in US dollars, movements in the exchange rate of the US dollar against sterling may significantly affect the Group's statements of comprehensive income and financial position. As a result of the Group having subsidiaries whose accounts are denominated in foreign currencies, movements in the US dollar against the sterling exchange rates can also affect the Group's statement of financial position.

Financial instruments

It was not considered an appropriate policy for the Group to enter into any hedging activities or trade in any financial instruments. Further information can be found in Note 23.

Operational risk

Operational risks include equipment failure, well blowouts, pollution, fire and the consequences of bad weather. The Group co-operates with project operators of producing fields and ensures where possible that all relevant legislation is met and appropriate insurance cover is in place.

Results and dividends

The statement of comprehensive income is set out on page 8. The Directors do not propose the payment of a dividend (2010: £Nil).

The Group made no charitable or political donations in the year (2010: £Nil).

Review of the key events during the year and post reporting date

Heletz

On 16th December 2010, a Compromise Agreement between TomCo and Avenue Group Inc ('Avenue') was signed under which all Previous Agreements between the two Parties were terminated, with neither of the Parties having any claim against the other Party in connection with the Previous Agreements or as a result of such termination. In consideration of TomCo relinquishing its interest in the Heletz Licenses, Avenue issued to TomCo credited as fully paid, such number of shares as equals ten per cent (10%) of the enlarged issued share capital of Avenue Energy Israel (111 ordinary shares of NIS 1 each). Avenue undertakes to TomCo that whilst TomCo holds the shares and until Avenue has effected a reverse takeover with an Israeli listed company, it shall not transfer the Licenses. This resulted in the statement of comprehensive income results of this operating segment being reclassified as discontinued operations (see note 6) in the financial year to 30 September 2010.

Financing

In April 2011, TomCo announced a Placing and Open Offer by way of an issue of New Ordinary Shares in the capital of the Company. On 30 June 2011, TomCo closed its Placing and Open offer having raised £3.5m before expenses. Out of the proceeds the Company met the costs associated with its admission to AIM and paid off debt. The remaining proceeds are being used to provide the Group with additional working capital and to better define the TomCo proposed production project at Holliday Block in Utah and enable a decision to be made on the commissioning of a full FEED study (Front End Engineering Design) and mining plan for the Company's proposed 9,500 barrels of oil a day production operation.

In January 2010, TomCo announced the issue of a Convertible Loan of £2m with Kenglo One Ltd with a term of two years and convertible at 1.5p per share (a total of 133,333,333 shares), with an interest rate of 12% per annum. The terms of this Agreement were subsequently varied in August 2010 whereby the conversion price was redefined as the lower of (i) 3p per share (ii) the IPO price, defined as the price per share offered pursuant to a public offering or (iii) the investment price, being defined as the lowest price per share paid by any party investing any amount into TomCo between the date of signing the agreement and date of admission to AIM. On 31st December 2010, the terms of this Agreement were further varied whereby the repayment date applicable of 29th December 2010 was extended to 31st May 2011. In August 2010, TomCo issued a further

Directors' report

Convertible Loan of £500,000 to Kenglo One Ltd on the same terms as those varied for the initial Convertible Loan, repayable on 30th August 2011. Following completion of the Placing and Open offer, Kenglo converted £1,920,000 of its outstanding debt and interest into 192,000,000 ordinary shares, retaining £1,009,205 of outstanding convertible loans at the balance sheet date. Following the reporting date, Kenglo have subsequently converted all of the outstanding debt into 100,920,548 ordinary shares.

On 31st December 2010, TomCo entered into a further loan Agreement with Kenglo One Ltd relating to an advance of £1 million repayable on or before 31st May 2011. The terms of the loan provided for payment of amounts due to Red Leaf Resources Inc by 31st December 2010 and for general working capital purposes. The loan attracted an interest rate of 12% per annum and was secured by a first priority charge over the entire issued share capital and stock of The Oil Mining Company Inc (a 100% subsidiary of TomCo) on the first drawing of the pounds sterling equivalent to \$1,050,981 to make payments due under the licence agreement with Red Leaf Resources Inc, this payment having been made on 31st December 2010; and an assignment of the benefit of the Licence Agreement with Red Leaf Resources Inc at the time and date of the drawing of the balance of £319,885. Following the completion of the Placing and Open Offer, all amounts outstanding under the terms of this loan Agreement were repaid.

Oil Shale

In March 2010, TomCo signed a License Agreement with Red Leaf Resources Inc, a Delaware corporation. Red Leaf Resources Inc has developed the Ecoshale In-Capsule ProcessTM, being the processes and techniques for the extraction of hydrocarbons from oil shale by heating such raw materials in a closed surface impoundment or capsule. Under the License Agreement, Red Leaf Resources Inc has agreed to grant to TomCo, an exclusive, site-specific license of certain patent rights and "know how" relating to the Ecoshale In-Capsule ProcessTM. Under the terms of the License, Red Leaf has agreed to provide TomCo with all new patents, techniques, information and new discoveries in relation to the Ecoshale system. TomCo paid a fee of \$1,000,000 (£666,667) in March 2010. TomCo paid a further \$1,000,000 (£647,124) on 31st December 2010 plus interest of \$50,981 (£32,991).

TomCo has announced receipt of a Competent Persons Report (CPR) by the independent mining engineers SRK Consulting (UK) Ltd (SRK), which included an updated assessment of the resources present on the Company's Oil Shale Leases in the Uinta Basin, Utah. This is a significant milestone in the Company's evaluation of these assets, in particular the Holliday Block property (Utah State Oil Shale Lease ML 49571), where the Company plans to develop an oil shale production operation.

The resource assessment incorporates data from a total of nine new core-holes totalling 1,698 ft which were drilled on the lease between October and November 2010, at an average spacing of 2,300 ft (700 metres). Drill depths varied from 110 to 305 ft, and in all cases good core recovery was obtained throughout the Mahogany Zone section, which is the principal oil bearing shale in the area. The holes were all successfully logged, and site rehabilitation is complete. Over 700 core samples were evaluated for oil yield using Fischer Assay analysis at a laboratory in Houston, Texas.

Following re-mapping of the area and incorporating all of the new drillhole data, SRK has prepared an updated Mineral Resource Estimate for the Holliday Block area and reported "Indicated Mineral Resource" as defined by the JORC Code of 202 million tons with a mean yield of 22.3 gallons per ton for 123 million barrels of contained oil.

Registration

On 20 May 2011 the company re-registered as a 'new Manx Vehicle' under the Basic & diluted Loss per share on continued operations.

Directors

Directors who served on the Board during the year to 30th September 2011 were as follows:

N Bonsor

S A Komlosy

J J May FCA (resigned 14 July 2011)

P M Hughes (resigned 14 July 2011)

Miikka Haromo (appointed 28 March 2011)

Paul Rankine (appointed 5 September 2011)

Directors' report

Directors' interests in the shares of the Group, including family interests, were as follows:

	30 September 2011		30 September 2010	
	Ordinary 0.5 pence shares	Share warrants	Ordinary 0.5 pence shares	Share warrants
S A Komlosy	25,250,000	10,000,000	25,250,000	17,386,692
J J May FCA	30,425,000	10,000,000	25,250,000	17,386,692
N Bonsor	-	2,278,647	-	-
P M Hughes	345,000	2,278,647	-	-
M Haromo	-	7,595,492	-	-
P Rankine	-	-	-	-
	56,020,000	32,152,786	50,500,000	34,773,384

Details of the share warrants can be found in note 21.

Payments of payables

The Group's policy is to negotiate payment terms with its suppliers in all sectors to ensure that they know the terms on which payment will take place when the business is agreed and to abide by those terms of payment.

The Group's payables payment days as at 30th September 2011 for trade payables was 36 days (2010: 80 days).

Going concern

On 30 June 2011, TomCo closed its placing and open offer having raised £3.5m before expenses. The Directors are confident that the Group has sufficient funds to meet its working capital requirements and commitments for a period of not less than twelve months from the date of signing of these financial statements. The Group's working capital and commitments are closely monitored by the directors and monthly forecasts are prepared in order to ensure that the Group has cash available to meet planned development expenditure. There are no contractual commitments for minimum development spend within any of the Group's licences and therefore the pace of development of the asset can be adjusted within the availability of cash resources to contract with the relevant consultants. As a result of the review performed by the directors, the monitoring of the cash position and the forecast cash at the end of the twelve month period under review from the date of signing the directors have confirmed that it is appropriate for the financial statements to be prepared on the going concern basis.

Insurance of key management

The Group maintains Directors' and officers' liability insurance cover for TomCo Energy Plc's Directors in respect of their duties as Directors of the Group.

Director's responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Isle of Man Companies Act 2006. They are also responsible for steps for the prevention and detection of fraud and other irregularities.

The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

Directors' report

- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that they have complied with these requirements, and, having a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Sir Nicholas Bonsor

Non-Executive Chairman

23 February 2012

Independent auditors' report

to the shareholders of TomCo Energy Plc

We have audited the financial statements of Tomco Energy plc for the year ended 30 September 2011 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable Isle of Man company law and International Financial Reporting Standards (IFRS).

This report is made solely to the Company's members as a body, in accordance with Section 80C of the Isle of Man Companies Act 2006. 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 auditor's 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 opinion we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable Isle of Man company law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of, in all material respects the state of the company's affairs as at 30 September 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the Isle of Man Companies Act 2006

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- proper books of accounts have not been kept by the Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's primary financial statements are not in agreement with the books of accounts and returns; or
- certain disclosures of directors' remunerations specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP
Chartered Accountants
London
United Kingdom

23 February 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the financial year ended 30 September 2011

		2011	2010
	Note	£'000	£'000
Revenue	2	16	12
Cost of sales	2	(5)	(4)
Gross profit		11	8
Administrative expenses		(1,687)	(1,017)
Operating loss	5	(1,676)	(1,009)
Finance income	3	131	177
Finance costs	4	(356)	(713)
Derivative expense	4,17	(295)	-
Loss on ordinary activities before taxation		(2,196)	(1,545)
Taxation	7	-	-
Loss from continuing operations		(2,196)	(1,545)
Loss on discontinued operations, net of tax		-	(1,212)
Loss for the year attributable to equity shareholders of the parent		(2,196)	(2,757)
Total comprehensive income attributable to equity shareholders of the parent		(2,196)	(2,757)

		2011	2010
		Pence per share	Pence per share
Loss per share attributable to the equity shareholders of the parent			
Basic & diluted loss per share on continued operations	9	(0.25)	(0.22)
Basic & diluted loss per share on discontinued operations	9	-	(0.17)
Total basic & diluted loss per share	9	(0.25)	(0.39)

The Company has elected to take exemption under the Companies Act not to present the parent company's statement of comprehensive income. The loss for the parent company for the year was £2,248,251 (2010: £2,756,517).

Consolidated and Company Statement of Financial Position

as at 30 September 2011

		Group 2011	Company 2011	Group 2010	Company 2010
	Note	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Intangible assets	10	7,945	1,314	7,049	667
Property, plant and equipment	11	13	13	17	17
Investment in subsidiaries	12	-	6,631	-	6,382
Other receivables	14	-	-	-	42
		7,958	7,958	7,066	7,108
Current assets					
Trade and other receivables	14	202	202	38	38
Cash and cash equivalents	15	1,363	1,348	612	607
		1,565	1,550	650	645
TOTAL ASSETS		9,523	9,508	7,716	7,753
Liabilities					
Current liabilities					
Trade and other payables	16	(327)	(327)	(248)	(248)
Convertible loan	17	(888)	(888)	(2,689)	(2,689)
Derivative liability	17	(295)	(295)	-	-
		(1,510)	(1,510)	(2,937)	(2,937)
Net current assets/(liabilities)		55	40	(2,287)	(2,292)
Non current liabilities					
Other liabilities	16	-	(37)	-	(37)
TOTAL LIABILITIES		(1,510)	(1,547)	(2,937)	(2,974)
Total net assets		8,013	7,961	4,779	4,779
Shareholders' equity					
Share capital	19	6,555	6,555	3,798	3,798
Share premium	20	10,573	10,573	7,907	7,907
Warrant reserve	21	492	492	928	928
Retained deficit		(9,607)	(9,659)	(7,854)	(7,854)
Total equity		8,013	7,961	4,779	4,779

The accounts on pages 8 to 30 were approved by the Board of Directors on 23 February 2012.

Stephen Komlosy
Director

M Haromo
Director

Consolidated statement of changes in equity

for the financial year ended 30 September 2011

Note	Group						Company					
	Share capital	Share premium	Equity loan reserve	Warrant reserve	Retained deficit	Total	Share capital	Share premium	Equity loan reserve	Warrant reserve	Retained deficit	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2009	2,798	7,539	-	1,077	(5,560)	5,854	2,798	7,539	-	1,077	(5,560)	5,854
Total comprehensive loss for the year	-	-	-	-	(2,757)	(2,757)	-	-	-	-	(2,757)	(2,757)
Convertible loan note – equity component	17	-	314	-	-	314	-	-	314	-	-	314
Modification of loan note	-	-	(314)	-	314	-	-	-	(314)	-	314	-
Exercise of warrants	-	-	-	(149)	149	-	-	-	-	(149)	149	-
Issue of share capital	19,20	1,000	368	-	-	1,368	1,000	368	-	-	-	1,368
Balance at 30 September 2010	3,798	7,907	-	928	(7,854)	4,779	3,798	7,907	-	928	(7,854)	4,779
Total comprehensive loss for the year	-	-	-	-	(2,196)	(2,196)	-	-	-	-	(2,248)	(2,248)
Issue of warrants	17	-	-	7	-	7	-	-	-	7	-	7
Expired warrants	17	-	-	(443)	443	-	-	-	-	(443)	443	-
Issue of share capital	19,20	2,757	2,666	-	-	5,423	2,757	2,666	-	-	-	5,423
At 30 September 2011	6,555	10,573	-	492	(9,607)	8,013	6,555	10,573	-	492	(9,659)	7,961

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Descriptions and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Warrant reserve	Amounts resulting from the issue of warrants.
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Consolidated and company statements of cash flows.

for the financial year ended 30 September 2011

	Note	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Cash flows from operating activities					
Loss after tax	2	(2,196)	(2,248)	(2,757)	(2,757)
Impairment of oil and gas property	11	-	-	1,212	1,212
Depreciation	11	4	4	5	5
Share-based payments	21	7	7	-	-
Finance income	3	(131)	(131)	(177)	(177)
Finance costs	4	651	651	713	713
(Increase)/decrease in trade and other receivables	14	(164)	(164)	33	33
Increase/(decrease) in trade and other payables	16	109	151	(334)	(340)
Cash used in operations		(1,720)	(1,730)	(1,305)	(1,311)
Cash flows from investing activities					
Purchase of technology licence	10	(647)	(647)	(667)	(667)
Investment in oil & gas assets	10	(249)	(249)	(336)	(336)
Net cash used in investing activities		(896)	(896)	(1,003)	(1,003)
Cash flows from financing activities					
Issue of share capital	19,20	3,435	3,435	1,368	1,368
Proceeds from issue of loan note	17	1,000	1,000	2,500	2,500
Loan repayment	17	(1,000)	(1,000)	(778)	(778)
Loan interest paid	17	(68)	(68)	-	-
Net cash generated from financing activities		3,367	3,367	3,090	3,090
Net increase in cash and cash equivalents		751	741	782	776
Exchange loss on cash and cash equivalents		-	-	(1)	-
Cash and cash equivalents at beginning of financial period		612	607	(169)	(169)
Cash and cash equivalents at end of financial period		1,363	1,348	612	607

Notes to the financial statements

for the financial year ended 30 September 2011

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union ("EU") and with those parts of the Isle of Man Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention modified by the revaluation of certain financial instruments to fair value including derivatives.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and 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. Details of the Group's significant accounting judgments and critical accounting estimates are set out in these financial statements and include:

- Commercial reserves estimates; (see Note 10)
- Impairment of intangible assets (Note 10);
- Convertible Loan Note - The carrying value of the derivative financial instrument in the Balance Sheet is derived from a valuation model. Assumptions used in this model are subject to inherent uncertainties and may change significantly if the volatility in the Company's share price changes (see Note 17).
- Share based payments (Note 21);

The Group has consistently applied all applicable accounting standards.

The Directors are confident that the Group has sufficient funds to meet its working capital requirements and commitments for a period of not less than twelve months from the date of signing of these financial statements. The Group's working capital and commitments are closely monitored by the directors and monthly forecasts are prepared in order to ensure that the Group has cash available to meet planned development expenditure. There are no contractual commitments for minimum development spend within any of the Group's licences and therefore the pace of development of the asset can be adjusted within the availability of cash resources to contract with the relevant consultants. As a result of the review performed by the directors, the monitoring of the cash position and the forecast cash at the end of the twelve month period under review from the date of signing the directors have confirmed that it is appropriate for the financial statements to be prepared on the going concern basis.

1.2 Future changes in accounting standards

The IFRS financial information has been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The following were amendments to published standards and interpretations to existing standards effective in the year adopted by the Group.

International Accounting Standards (IAS/IFRS)	Effective date (periods beginning on or after)	
• IFRS 2	Amendment – Group cash-settled share-based payment transactions	1 January 2010
• General	Improvements to IFRSs (2009)	1 January 2010
• IAS 32	Amendment – Classification of Rights Issues	1 February 2010
• IFRIC 19	Extinguishing financial liability with equity instruments	1 July 2010
• IAS 24 (Revised)	Related party disclosures	1 January 2011

There were no new standards, interpretations and amendments to published standards effective in the year which had a significant impact on the Group.

Notes to the financial statements

for the financial year ended 30 September 2011

1.2 Future changes in accounting standards (continued)

Standards, Interpretations and amendments, which are effective for reporting periods beginning after the date of these financial statements:

International Accounting Standards (IAS/IFRS)	Effective date (periods beginning on or after)	
• IAS 12*	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
• IAS 1*	Amendment - Presentation of Items of Other Comprehensive Income	1 Jan 2012
• IFRS9*	Financial instruments	1 Jan 2013
• IFRS 10*	Consolidated Financial Statements	1 Jan 2013
• IFRS 11*	Joint Arrangements	1 Jan 2013
• IFRS 12*	Disclosure of Interests in Other Entities	1 Jan 2013
• IFRS 13*	Fair Value Measurement	1 Jan 2013
• IAS 19*	Employee Benefits	1 Jan 2013

The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material effect on the presentation, classification, measurement and disclosures of the Group's financial instruments.

Items marked * had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board.

1.3 Basis of consolidation

The Group accounts consolidate the accounts of the parent company, TomCo Energy Plc, and all its subsidiary undertakings drawn up to 30 September 2011. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for on the purchase basis. A subsidiary is consolidated where the Company has the power, either directly or indirectly, to govern the financial and operating activities of another entity or business, so it is able to obtain benefits from its activities. On acquisition all the subsidiary's assets and liabilities which existed at the date of acquisition are recorded at their fair values reflecting their condition at the time. If, after re-assessment, the Group's interest in the net fair value of the identifiable assets liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

1.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, and the Finance Director.

Based on an analysis of risks and returns, the Directors consider that the Group has one principle business segment based on geographical location. The Directors consider that no further segmental analysis would be beneficial to the reader of the financial statements. The Group's revenue arises within the US. The profit /(loss) before taxation arises within the UK and US. Net assets are in the UK and the US.

1.5 Revenue

Turnover represents the Group's share of sales of oil during the year, excluding sales tax and royalties. Income arises from the US and is recognised when the oil is delivered to the customer, and is net of taxes and royalty interests.

1.6 Finance income

Finance income is accounted for on an effective interest basis.

Notes to the financial statements

for the financial year ended 30 September 2011

1.7 Non-current assets held for sale

Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from date of classification.

Non-current assets that are held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

Discontinued operations are presented in the statement of comprehensive income (including the comparative period) as a single line which comprises the post tax loss of the discontinued operation. Operations are classified as discontinued when the decision is made to dispose of the operation by the Directors and the operations are actively marketed.

1.8 Property, plant and equipment

Office fixtures and fittings are stated at cost of purchase. Depreciation of office fixtures and fittings is provided at 33.3% per annum on cost.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Impairments are charged to administrative expenses within the statement of comprehensive income.

Oil & Gas development and production assets are accumulated on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with any decommissioning asset. They are presented as oil properties in Note 11.

The net book values of producing assets are depreciated on a field-by-field basis using the unit of production method by reference to the ratio of production in the period to the related commercial reserves of the field, taking into account estimated future development expenditures necessary to bring those reserves into production.

1.9 Intangibles assets

The Company applies the full cost based method of accounting for oil and gas operations. For evaluation properties, all lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration appraisal and development are capitalised as intangible fixed assets in appropriate cost pools. Costs relating to unevaluated properties are held outside the relevant cost pool, and are not amortised until such time as the related property has been fully appraised. When a pool cost reaches an evaluated and bankable feasibility stage, the assets are transferred from intangible to oil properties within property, plant and equipment..

Depreciation is not charged on the technology licences as these assets are deemed to have an indefinite useful economic life. The technology produced by Redleaf is currently unique within the marketplace and until extraction commences, the viability of this technology will not be determinable.

1.10 Impairment

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of the cash generating unit, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash generating unit where the cash flows of each field are interdependent.

Notes to the financial statements

for the financial year ended 30 September 2011

1.11 Asset disposals

Proceeds from the disposal of an asset, or part thereof, are taken to the statement of comprehensive income together with the requisite net book value of the asset, or part thereof, being sold.

1.12 Taxation

Taxation expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profits for the financial period using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. If deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred tax is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversals of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.13 Foreign currencies

The accounts have been prepared in pounds sterling being the presentational currency of the Group and Company. The functional currency of the holding Company is also pounds sterling. Assets and liabilities held in the Company or overseas subsidiaries in US dollars are translated into pounds sterling at the rate of exchange ruling at the reporting date and statement of comprehensive income items are translated at the average rate for the year. The exchange difference arising on the retranslation of the opening capital and reserves are recognised as a separate component of equity.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity and accumulated in the foreign exchange reserve.

Exchange differences arising from the settlement of monetary items are included in the statement of comprehensive income for that period.

1.14 Operating leases

Rentals payable under operating leases, net of lease incentives, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.15 Available-for-sale financial assets

The Group classifies its investments as available-for-sale financial assets.

They are carried at fair value with changes in fair value recognised directly in equity within the available-for-sale reserve; exchange differences on available-for-sale financial assets denominated in a foreign currency are recognised in profit or loss. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised directly in equity within the available-for-sale reserve, is recognised in profit or loss. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve. On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

Notes to the financial statements

for the financial year ended 30 September 2011

1.16 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group or Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated balance sheet.

1.17 Cash and cash equivalents

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

1.18 Trade payables

Trade payables, defined as financial liabilities in accordance with IAS 39, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

All of the trade payables are non-interest bearing.

1.19 Convertible bond – hybrid financial instruments

Following the deed of amendment signed in August 2010 the terms of the convertible loan arrangement were modified such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash. The impact of this was that the convertible loan no longer met the definition of a compound financial instrument and was reclassified as a hybrid financial instrument with the option to convert classified as an embedded derivative.

The embedded derivatives are separated from the host contract as their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. At each reporting date, the embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income as they arise. The host contract carrying value on initial recognition is based on the net proceeds of issuance of the convertible loan reduced by the fair value of the embedded derivatives and is subsequently carried at each reporting date at amortised cost. The embedded derivatives and host contract are presented under separate headings in the balance sheet and the fair values of any embedded derivative are calculated using Black-Scholes or other simulation models depending on the characteristics of the loan notes. At the year end, the value of the embedded derivative has been separately disclosed on the face of the statement of financial position to due to material nature of the balance.

Where the terms and conditions of conversion are substantially modified before the instrument matures, the difference, at the date the terms are amended, between the carrying value of the instrument and the fair value of the instrument under the revised terms is recognised as a loss in the statement of comprehensive income.

Warrants issued in consideration as part of the arrangement fee are valued in accordance with the share based payment policy and considered as part of the overall convertible loan note financing costs. Direct finance costs are charged against the loan and amortised over the life of the loan.

1.20 Share capital

Ordinary shares are classified as equity.

1.21 Share based payments

For equity-settled share-based payments, the fair value determined at the date of grant is expensed on a straight-line basis over the vesting period. Fair value is measured by use of the Black Scholes model. The calculation of this fair value is detailed in Note 21.

1.22 Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less impairment provisions.

Notes to the financial statements

for the financial year ended 30 September 2011

1.23 Financial risk management

Financial risk factors

The Groups operations and their geographical location exposes the Group to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit, equity securities prices, liquidity and interest rates.

The size of the Group makes it impractical for the Board of Directors to delegate responsibility for the management of financial risk and the Executive Directors, as a body, keep aware of the issues that affect their financial instruments to enable prompt identification of financial risks so that appropriate actions may be taken.

a) *Foreign exchange risk*

The Group is exposed to foreign exchange risks primarily to the US dollar. The Group holds equity investments that are either US companies or have US operations. The Group also holds cash in US dollar bank accounts.

b) *Interest rate risk*

The Group has interest bearing assets in cash balances of £1,363,000 (2010 £612,000). Interest earned on cash balances is not significant. The Group has fixed rate convertible loan notes, described in Note 17, which as the rate is fixed, the risk is not significant. Interest charged against overdrawn balances during the period was charged at a floating rate of 4.85% per annum.

c) *Credit risk*

The Group has no significant concentrations of credit risk as a result of its limited operations.

d) *Liquidity risk*

The Group holds a significant proportion of its available assets in immediate access bank accounts. The Group does not hold any facilities available for draw down with the exception of its cash resources.

e) *Price risk*

The Group is exposed to equity securities price risk on investments held by the Group. The Group is exposed to commodity price risk on its income from oil production.

Notes to the financial statements

for the financial year ended 30 September 2011

2. Segmental reporting - Analysis by geographical segment

The Group's revenue arises within the US. The loss before taxation arises within the UK and US. Net assets are in the UK and US. Based on an analysis of risks and returns, the Directors consider that the Group has one principle business segment based on geography, with the UK representing head office costs of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, and the Finance Director. The Directors therefore consider that no further segmentation is appropriate.

Year ended 30 September	United	United	Total	United	United	Total
	States	Kingdom		States	Kingdom	
	2011	2011		2010	2010	
	£'000	£'000	£'000	£'000	£'000	£'000
Continuing activities						
Revenue	16	-	16	12	-	12
Cost of sales	(5)	-	(5)	(4)	-	(4)
Gross profit/(loss)	11	-	11	8	-	8
Depreciation	-	(4)	(4)	-	(5)	(5)
Share based payments	-	-	-	-	-	-
Administrative expenses	-	(1,683)	(1,683)	-	(1,012)	(1,012)
Operating (loss)/profit	11	(1,687)	(1,676)	8	(1,017)	(1,009)
Financial income	-	131	131	-	177	177
Finance costs	-	(651)	(651)	-	(713)	(713)
Profit/(Loss) for the year on continuing operations	11	(2,207)	(2,196)	8	(1,553)	(1,545)
(Loss) for the year on discontinued operations	-	-	-	-	-	(1,212)
Total profit/(loss)	11	(2,207)	(2,196)	8	(1,553)	(2,757)
Non-Current assets:						
- property, plant and equipment	-	13	13	-	17	17
- exploration and development licences	6,631	-	6,631	6,382	-	6,382
- technology licence	1,314	-	1,314	667	-	667
Current assets:						
Trade and other receivables	-	202	202	-	38	38
Cash and cash equivalents	15	1,348	1,363	5	607	612
Total assets	7,960	1,563	9,523	7,054	662	7,716
Current liabilities:						
Trade and other payables	-	(327)	(327)	-	(248)	(248)
Convertible loan	-	(1,009)	(1,009)	-	(2,689)	(2,689)
	-	(1,336)	(1,336)	-	(2,937)	(2,937)
Total liabilities	-	(1,336)	(1,336)	-	(2,937)	(2,937)

Notes to the financial statements

for the financial year ended 30 September 2011

3. Finance income

	2011	2010
	£'000	£'000
Bank interest	-	1
Gain on derivative element of loan note (Note 17)	131	2
Gain on settlement of loan note (Note 17)	-	172
Foreign exchange	-	2
	131	177

4. Finance costs

	2011	2010
	£'000	£'000
Interest on loan note	352	653
Bank overdraft charges	4	-
Credit charges relating to SEDA (note 19)	-	53
Foreign exchange	-	7
	356	713
Derivative expense (Note 17)	295	-
	651	713

5. Operating loss

	2011	2010
	£'000	£'000
The following items have been charged/(credited)in arriving at operating loss:	£'000	£'000
Depreciation of property, plant and equipment	4	5
Oil lease impairment	-	1,212
Directors' fees (Note 8)	489	248
Share-based payments charge – statement of comprehensive income	7	-
Auditors' remuneration:		
– audit services	62	58
–non audit services	36	34
Rentals payable in respect of land and buildings	60	90

Notes to the financial statements

for the financial year ended 30 September 2011

6. Non-current assets held for sale and discontinued operations

Loss on discontinued operations for the period

During the year ended 30 September 2010 the Directors divested their investment in the Israeli Heletz licence area, consequently the statement of comprehensive income results of this operating segment were reclassified as discontinued operations, a summary of the financial impact of the discontinued operation are detailed below:

	2011	2010
	£'000	£'000
Revenue	-	39
Cost of sales	-	(39)
Impairment	-	(1,212)
Gross loss	-	(1,212)
Administrative expenses	-	-
Loss on discontinued operations, net of tax	-	(1,212)

The impact of the discontinued operations on the statement of consolidated cash flows statement can be summarised as follows:

	2011	2010
	£'000	£'000
Cash flows from operating activities	-	-
Cash flows from investing activities	-	(262)
Total impact on cash flows	-	(262)

See note 11 for further details on the decision to treat the Israeli asset as a discontinued operation.

7. Taxation

There is no tax charge in the year due to the loss for the year.

Factors affecting the tax credit:

	2011	2010
	£'000	£'000
Loss on ordinary activities before tax	(2,196)	(2,757)
Loss on ordinary activities at standard rate of corporation tax in the UK of 26% (2010 - 28%)	(571)	(772)
Effects of:		
Excess management expenses carried forward	571	458
Expenses not deductible for tax purposes	-	314
Tax charge for the financial year	-	-

The Company has tax losses in respect of excess management expenses of £6,001,335 (2010: £3,804,973) available for offset against future Company income. This gives rise to a potential deferred tax asset at the reporting date of £1,560,347 (2010: £1,087,332). No deferred tax asset has been recognised in respect of the tax losses carried forward as the recoverability of this benefit is dependent on the future profitability of the Company, the timing of which cannot reasonably be foreseen.

Notes to the financial statements

for the financial year ended 30 September 2011

8. Employees and Directors

The Group has no employees other than the directors, whose emoluments comprise fees paid for services. Share-based payments relate to warrants issued, further details of which are included in Note 21. The amounts paid for their services are detailed below:

	Salaries	Share based payments	Compensation payments	Total	Salaries	Share based payments	Compensation payments	Total
	2011	2011	2011	2011	2010	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N Bonsor	69	1	-	70	38	-	-	38
S A Komlosy	121	-	-	121	92	-	-	92
G M Thompson	-	-	-	-	10	-	-	10
J J May	85	-	98	183	84	-	-	84
M Haromo	83	3	-	86	-	-	-	-
P Hughes	21	1	7	29	24	-	-	24
P Rankine *	-	-	-	-	-	-	-	-
Total employment costs	379	5	105	489	248	-	-	248

In relation to their termination of appointments as directors, John May and Paul Hughes received compensation payments, under a compromise agreement with the Company of £97,908 and £6,900 respectively.

Paul Rankine's services are provided and paid for through a project management finance and management agreement with Capital Elements (UK) LLP following investment in the Company. Under the agreement, Capital Elements had the right to appoint a director to the Board.

9. Loss per share

Basic loss per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Reconciliations of the losses and weighted average number of shares used in the calculations are set out below.

	Losses	Weighted average number of shares	Per share Amount
Financial year ended 30 September 2011	£'000	'000	Pence
Basic and Diluted EPS			
Losses attributable to ordinary shareholders on continuing operations	(2,196)	877,371	(0.25)
Total losses attributable to ordinary shareholders	(2,196)	877,371	(0.25)
Financial year ended 30 September 2010			
	£'000	'000	Pence
Basic and Diluted EPS			
Losses attributable to ordinary shareholders on continuing operations	(1,545)	717,791	(0.22)
Losses attributable to ordinary shareholders on discontinued operations	(1,212)	717,791	(0.17)
Total losses attributable to ordinary shareholders	(2,757)	717,791	(0.39)

Notes to the financial statements

for the financial year ended 30 September 2011

9. Loss per share (continued)

The warrants which were in issue at the year end (Note 21) are considered anti-dilutive. The convertible loan note (Note 17) is also potentially anti-dilutive. As the options and warrants would be anti-dilutive a separate diluted loss per share is not presented.

10. Intangible assets

	Oil & Gas Exploration and development licence £'000	Oil & Gas Technology licence £'000	Oil & Gas Total £'000
Cost			
At 1 October 2009	6,309	-	6,309
Additions	73	667	740
At 30 September 2010	6,382	667	7,049
Additions	249	647	896
Net book value			
At 30 September 2011	6,631	1,314	7,945
At 30 September 2010	6,382	667	7,049
At 30 September 2009	6,309	-	6,309

The exploration and development licences comprise two State of Utah oil shale leases covering approximately 2,918 acres and estimated to contain inferred mineral resource levels of 230 million barrels of oil in the Green River shale formation. The claim areas and the Group's interest in them is:

Asset	Per cent Interest	Licence Status	Expiry Date	Licence Area (Acres)
ML 49570	100	Prospect	31/12/2024	1,638.84
ML 49571	100	Prospect	31/12/2024	1,280.00

In performing an assessment of the carrying value of the licences at the reporting date, the Directors concluded that, although no exploration activity has been undertaken during the year ended 30 September 2011, it was not appropriate to book an impairment. The Directors do not consider the asset to be impaired as there is a planned programme of development work for the next year which will add to the Company's knowledge and understanding of the asset. As the data from this programme is collated and analysed we will inform our shareholders through the Regulatory News Service of the results. As shareholders you are aware of the potential for these assets but the directors draw your attention to the likely need to raise additional funds in the future in order to continue to explore and develop the asset and bring it into commercial production. At this early stage of the project the Directors do not consider that there is any need for any impairment of the valuation of the asset. If the required additional funding was not to be made available to the company the carrying value of the asset might need to be impaired.

The Company has announced details of a Competent Persons Report (CPR) by the independent mining engineers SRK Consulting (UK) Ltd (SRK), which includes an assessment of the resources present on the Company's Oil Shale Leases in the Uinta Basin, Utah. The resource assessment incorporates data from a total of nine new core-holes totalling 1,698 ft which were drilled on the lease between October and November 2010, at an average spacing of 2,300 ft (700 metres). Drill depths varied from 110 to 305 ft, and in all cases good core recovery was obtained throughout the Mahogany Zone section, which is the principal oil bearing shale in the area. The holes were all successfully logged, and site rehabilitation is complete. Over 700 core samples were evaluated for oil yield using Fischer Assay analysis at a laboratory in Houston, Texas.

Following re-mapping of the area and incorporating all of the drillhole data, SRK has prepared a Mineral Resource Estimate for the Holiday Block area and reported "Indicated Mineral Resource" as defined by the JORC Code of 202 million tons with a mean yield of 22.3 gallons per ton for 123 million barrels of contained oil.

In March 2010, TomCo signed a License Agreement with Red Leaf Resources Inc, a Delaware corporation which has developed the Ecoshale In-Capsule Process™, being the processes and techniques for the extraction of hydrocarbons from oil shale by heating such raw materials in a closed surface impoundment or capsule. Under the License Agreement, Red Leaf Resources Inc has agreed to grant to TomCo, an exclusive, site-specific license of certain patent rights and "know how" relating to the Ecoshale In-Capsule Process™. Under the terms of the License, Red Leaf has agreed to provide TomCo with all new patents, techniques, information and new discoveries in relation to the Ecoshale system. TomCo paid a fee of \$1,000,000 (£666,667) in March 2010 and made a further payment of \$1,000,000 (£647,124) on 31 December 2010 plus interest of \$50,981.

Notes to the financial statements

for the financial year ended 30 September 2011

11. Property, plant and equipment

Group	Oil properties	Fixtures, fittings and equipment	Total
Cost	£'000	£'000	£'000
At 1 October 2009	990	32	1,022
Additions	324	-	324
Impairment	(1,212)	-	(1,212)
At 30 September 2010	102	32	134
Additions	-	-	-
At 30 September 2011	102	32	134

Depreciation

At 1 October 2009	(102)	(10)	(112)
Charge in year	-	(5)	(5)
At 30 September 2010	(102)	(15)	(117)
Charge in year	-	(4)	(4)
At 30 September 2011	(102)	(19)	(121)

Net book value

At 30 September 2011	-	13	13
At 30 September 2010	-	17	17
At 30 September 2009	888	22	910

During 2010, the Company advanced \$400,000 to Avenue Energy Israel representing the final amount advanced to the Israeli operator of the licence as the Group sought to recover its investment in two petroleum licences onshore Israel either through litigation, sale, or other divestment of its interest. The investment has been impaired in full and the Israeli Oil & Gas operating segment transferred to non-current assets held for sale as a discontinued operation due to the uncertainty surrounding the potential value to be recovered from this process. The Directors chose to impair the carrying value of the investment in full amounting to £1,212,417. On 16 December 2010, a Compromise Agreement between TomCo and Avenue was signed under which all Previous Agreements were terminated, with neither of the Parties having any claim against the other in connection with the Previous Agreements or as a result of such termination.

Company	Fixtures, fittings and equipment	Total
Cost or valuation	£'000	£'000
At 1 October 2009, 2010 and 2011	32	32
At 1 October 2009	10	10
Depreciation	5	5
At 1 October 2010	15	15
Depreciation	4	4
At 30 September 2011	19	19
Net book value		
At 30 September 2011	13	13
At 30 September 2010	17	17
At 30 September 2009	22	22

Notes to the financial statements

for the financial year ended 30 September 2011

12. Company investment in subsidiaries

Shares in Group undertakings

	Total £'000
Cost	6,382
Additions	249
At 30 September 2011	6,631
At 30 September 2010	6,382
At 30 September 2009	6,309

TomCo Energy PLC holds interests in the following subsidiaries:

Subsidiary Undertaking	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
LKH Limited	Isle of Man, UK	100%	Dormant
Bury Street Services Limited	UK	100%	Dormant
Luton-Kennedy Ltd	Israel	100%	Participation in oil production in Israel
The Oil Mining Company Inc	Utah, USA	100%	Holding of oil shale leases
TomCo I LLC	Delaware, USA	100%	Holding company of TomCo II incorporated in Delaware, USA. TomCo II is engaged in the exploration and extraction of oil and gas through joint investment in oil leases.

13. Available-for-sale financial assets

	Unlisted investments £'000
Cost or valuation	
At 30 September 2010 and 2011	180
	180
Provisions	
At 30 September 2010 and 2011	180
	180
Fair value	
At 30 September 2010 and 2011	-

Details of unlisted investments

Name	Share holding number	Percentage holding %	Average cost per share pence	Cost £'000
Equity securities US (1)	9,751	0.78	31	30
Equity securities UK	471,070	3.47	20	94
Equity securities US (2)	1,000,000	8.12	5	56

The Directors provided in full for the investment in equity securities in the US (1) in 2007 due to the uncertain future of the Company. The Equity securities, US (2) and UK, classed as investing activities, were also provided in full in 2008 due to uncertainties about the future of those Companies.

Notes to the financial statements

for the financial year ended 30 September 2011

14. Trade and other receivables

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Trade receivables	33	33	-	-
Other receivables	148	148	25	25
Prepayments and accrued income	21	21	13	13
	202	202	38	38
Non-Current Receivables				
Amounts owed by Group undertakings	-	-	-	42
Total Receivables	202	202	38	80

As at 30 September 2011 there were no receivables considered past due (2010: £Nil). Having considered the carrying value of amounts owing from Group undertakings against net realisable value, the Board has made a provision against these amounts in the year of £nil (2010: £76,622). The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable including cash and cash equivalents as disclosed in Note 22.

All current receivable amounts are due within 6 months.

15. Cash and cash equivalents

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,363	1,348	612	607

The Group earns 0.05% (2010: 0.05%) interest on their cash deposits, consequently the Group's exposure to interest rate volatility is not considered material.

16. Trade and other payables

	Group	Company	Group	Company
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Current				
Trade payables	268	268	182	182
Other payables	17	17	19	19
Accruals	42	42	47	47
	327	327	248	248
Non-Current Payables				
Amounts owed to Group undertakings	-	37	-	37
Total Payables	327	364	248	285

All current amounts are payable within 6 months and the Board of Directors considers that the carrying values adequately represent the fair value of all payables. In the opinion of the directors the carrying value of the financial liabilities approximates to their fair value.

Notes to the financial statements

for the financial year ended 30 September 2011

17. Financial liabilities

In January 2010, TomCo issued a Convertible Loan of £2m to Kenglo One Ltd with a term of 12 months and convertible at any time, at 1.5p per share (a total of 133,333,333 shares), with an interest rate of 12% per annum. The terms of this Agreement were varied in August 2010 whereby the conversion price was redefined as the lower of (i) 3p per share (ii) the IPO price, defined as the price per share offered pursuant to a public offering or (iii) the investment price, being defined as the lowest price per share paid by any party investing any amount into TomCo between the date of signing the agreement and date of admission to AIM. This amendment resulted in the conversion option no longer meeting the fixed for fixed criteria for a convertible bond (compound financial instrument) and being reclassified as a hybrid financial instrument with an embedded derivative element. As the terms of the convertible loans were modified the accounting was re-assessed which resulted in a premium being charged to the consolidated statement of comprehensive income of £110,591, representing the difference between the carried and fair value of the loan note. The equity reserve was credited (£313,765) to the retained deficit reserve for the modified instrument. In August 2010, TomCo issued a further Convertible Loan of £500,000 to Kenglo One Ltd on the same terms as those varied for the initial Convertible Loan and on 31 December 2010, the terms of the Agreements were further varied whereby the repayment date applicable of 29 December 2010 was extended to 31 May 2011 for both the £2m and £500,000 convertible loans.

In July 2011, £1,490,795 of the bonds, together with £429,205 of unpaid interest were converted into ordinary shares at £0.01 per share in accordance with the terms of the bond. On the same date, another deed of amendment was issued which resulted in the final repayment date being extended until December 2014. This extension resulted in the difference at the date the terms were amended between the carrying value of the instrument and the fair value of the extended contractual payments being in excess of 10% which is an IAS 39 trigger for de-recognition of the convertible bond and re-recognition at the adjusted value under the modified terms. This resulted in a gain on modification for the year of £131,224 which has been recognised within the consolidated statement of comprehensive income and the recognition of a derivative liability which has been recognised on the face of the Statement of Financial Position.

The convertible bond recognised in the Statement of Financial Position is calculated as follows:

	Group and Company
	2011
	£'000
Convertible loan brought forward	2,689
Repayment	(1,920)
Interest expense	240
Gain on modification	(131)
Interest post modification	10
	888
	Group and Company
	2011
	£'000
Convertible instrument	888
Derivative liability	295
	Group and Company
	2010
	£'000
Liability at 1 October	-
Fair value of consideration received	2,500
Equity component	(314)
Liability component on initial recognition	2,186
Interest expense	371
Premium on modification	111
Interest expense post modification	21
Liability at 30 September	2,689

Notes to the financial statements

for the financial year ended 30 September 2011

18. Deferred tax

Unrecognised losses

The Company has not provided deferred tax for excess management expenses. These remain un-provided as it is not anticipated that the Company will make qualifying profits against which these may be offset in the foreseeable future but they are available indefinitely for offset against future taxable income.

	2011	2010
	£'000	£'000
Losses carried forward	6,001	3,805

19. Share capital

	2011	2010
	Number of shares	£
Authorised		
2,000,000,000 (2010: 1,500,000,000) ordinary shares of £0.005 each	10,000,000	7,500,000
	10,000,000	7,500,000
Issued and fully paid		
At 1 October	3,797,746	2,797,746
Allotted during year:		
December 2009 at £0.0068 per share	200,000,000	-
July 2011 at £0.01 per share	551,346,803	-
	2,756,734	1,000,000
	2,756,734	1,000,000
1,310,895,954 (2010: 759,549,151) ordinary shares of £0.005 each	6,554,480	3,797,746

Following the year end, the Company announced the issue of 100,920,548 shares in the Company to Kenglo One Limited ("Kenglo") at a price of 1p per share following the conversion of Kenglo's outstanding convertible loans to the Company (Notes 17,24), and the exercise of 34,666,667 warrants (Notes 21,24), resulting in an issued share capital at the date of signing the accounts of 1,446,483,169.

The authorised share capital was increased in May 2011 by 500,000,000 shares (£2,500,000) following an EGM resolution (2010: £2,500,000).

Standby Equity Distribution Agreement (SEDA)

On 14 January 2009, the Company entered into a £5.0m SEDA with GEM Global Yield Fund Limited ("GEM"). The SEDA enables the Company to make draw downs at times of its choosing by issuing new ordinary shares of 0.5p each in the Company in return for cash. The equity line is available for a period of three years. At 30 September 2011, £4,992,500 (2010: £4,992,500) of the facility remained undrawn.

20. Share premium

	2011	2010
	£'000	£'000
At 1 October	7,907	7,539
Premium on shares issued in the year	2,757	368
Expenses on shares issued in the year	(91)	-
At 30 September	10,573	7,907

Notes to the financial statements

for the financial year ended 30 September 2011

21. Share-based payments

At 30 September 2011, the following share warrants granted for services and shares are outstanding in respect of the ordinary shares:

	2011	2011	2010	2010
	number	Weighted average exercise price pence	number	Weighted average exercise price pence
Outstanding at 1 October	146,177,802	2.5	245,177,802	1.9
Granted during the year	31,451,714	2.5	4,000,000	2.5
Lapsed during the year	(51,320,152)	-	-	-
Exercised during the year	-	-	(103,000,000)	0.62
Outstanding at 30 September	126,309,364	2.2	146,177,802	2.5
Exercisable at 30 September	126,309,364	1.6	146,177,802	1.6

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting right, pre-emptive right or other right attaching to Ordinary Shares. All warrants issued vest in full.

The warrants outstanding at 30 September 2011 had a weighted average exercise price of 2.2 pence (2010: 2.5 pence) and a weighted average remaining contractual life of 1.11 years (2010: 1.73 years). Following year end, of the 126,309,364 warrants outstanding, 34,666,667 were exercised at a price of 1.5 pence; 2,018,410 were issued and 28,236,330 have lapsed.

The inputs into the Black-Scholes model for calculating estimated fair value were:

	2011	2010
Weighted average share price (pence)	0.83	-
Weighted average exercise price (pence)	2.80	-
Expected volatility	55%	-
Risk-free rate	3%	-
Weighted average remaining contractual life (years)	1.11	-

Expected volatility was determined by calculating the historical volatility of the Company's share or the volatility of a basket of similar listed companies where the historic volatility was not available. 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.

22. Financial instruments

The Group and Company's financial instruments, other than its investments, comprise cash and items arising directly from its operation such as trade receivables, convertible loan note – debt element and derivative element and trade payables.

Management review the Group and Company's exposure to currency risk, interest rate risk, liquidity risk and credit risk on a regular basis and consider that through this review they manage the exposure of the Group and Company. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however, this is constantly under review.

There is no material difference between the book value and fair value of the Group and Company's cash and other financial instruments. Further information on the loan notes issued during the year is disclosed in Note 17.

Currency risk

The Group has three overseas subsidiaries; two of which operate in the United States and one in Israel and whose expenses are mainly denominated in US\$. Foreign exchange risk is inherent in the Group and Company's activities and is accepted as such. The majority of Company expenses are denominated in pounds sterling. The effect of a 10% strengthening or weakening

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for the financial year ended 30 September 2011

22. Financial instruments (continued)

of the US dollar against sterling at the reporting date on the sterling denominated balances would, all other variables held constant, not result in a significant exchange gain or loss in the period.

Interest rate risk

The Group and Company manage the interest rate risk associated with the Group cash assets by ensuring that interest rates are as favourable as possible, whether this is through investment in floating or fixed interest rate deposits, whilst managing the access the Group requires to the funds for working capital purposes. The Group has no interest rate exposure on its convertible loan which is issued at a fixed rate.

The Company's cash and cash equivalents are subject to interest rate exposure due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

A 1% increase or decrease in the floating rate attributable to the cash balances held at the year end would not result in a significant difference on interest receivable. The Company's main debt is the Convertible Loan notes issued (Note 18), which is at a fixed rate of 12% therefore there is no interest rate sensitivity. Failure to pay any amount payable on the due date will incur accrued interest on any unpaid amount until the date of payment at a rate of 2% above the interest rate.

Liquidity risk

At the year end the group had cash balances comprising of the following:

	Group	Company	Group	Company
	2011	2011	2010	2010
Current	£'000	£'000	£'000	£'000
British Pounds	1,347	1,347	605	605
US Dollars	16	1	7	2
Total	1,363	1,348	612	607

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The convertible loan notes (Note 18) are due for repayment within 1 year.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days. The group seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on any long term borrowings.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its relationship with its partners and is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts in accordance with best local business practices, and seek external credit ratings where applicable and when available. Credit risk of existing customers is assessed when deemed necessary.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with an acceptable rating are utilised.

Capital management policies

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues or debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Notes to the financial statements

for the financial year ended 30 September 2011

23. Related party disclosures

The Directors are considered to be Key Management and information in respect of key management is given in note 8.

Transactions between the Company and its subsidiaries and related parties during the year are summarised below:

Funding provided to Luton Kennedy Limited	£-	(2010: £262,599)
Inter-group receivable outstanding at year end	£-	(2010: £41,555)
Inter-group payable outstanding at year end	£36,515	(2010: £36,515)
Shareholder loans	£1,009,205	(2010: £ 2,688,713)
Fees paid to shareholder under project finance and management agreement	£26,838	(2010: £-)

24. Post reporting events

On 20 October 2011, the Company announced the issue of 100,920,548 shares in the Company to Kenglo One Limited ("Kenglo") at a price of 1p per share following the conversion of Kenglo's outstanding convertible loans to the Company, together with accrued interest. Following this issue, Kenglo holds 492,920,548 shares representing 34.91% of the capital of the Company and the Company no longer has any outstanding loans. The conversion follows the consent by the Takeover Panel to a waiver of the obligation that would otherwise arise under Rule 9 of the Takeover Code for Kenglo to make a general offer for the Company following approval from the majority of independent shareholders.

In January 2012, the Company announced the conversion of 34,666,667 warrants at 1.5 pence raising £520,000.