ISLE OF MAN - COMPANY NUMBER 36210C
ENGLAND AND WALES - COMPANY NUMBER FC022829

TomCo Energy plc

Annual report and financial statements 2008

Board of Directors and Company Information

Isle of Man
Company number
36210C

England and Wales
FC022829

Country of incorporation
Isle of Man

Board of Directors
Sir Nicholas Bonsor – non executive chairman
Stephen Komlosy – chief executive officer
John May – finance director
Paul Hughes – non executive director

Secretary and Registered Office
John May
2nd Floor
Sixty Circular Road
Douglas
Isle of Man IM1 1SA

Nominated adviser and broker
Strand Partners Limited
26 Mount Row
London W1K 3SQ

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 2008.

Principal activity

The principal activity of the Group is that of holding oil shale leases for future development and acquiring participations in producing oil wells and proven drilling prospects.

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. Further information is included in going concern on page 5.

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 production is predominantly in US dollars, movements in the US dollar/sterling exchange rate may significantly affect the Group's income statement. As a result of the Group having subsidiaries whose accounts are denominated in foreign currencies, movements in the US dollar/sterling exchange rates can also significantly affect the Group's balance sheet.

Financial instruments

It is not considered an appropriate policy for the Group to enter into any hedging activities or trade in any financial instruments. Further information on the Group and Company's financial instruments can be found in Note 24.

Operation 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 field and ensures where possible that all relevant legislation is met and appropriate insurance cover is in place.

Results and dividends

The income statement is set out on page 8. The Directors do not propose the payment of a dividend.

The Group made no charitable or political donations in the year.

Post Balance Sheet Events

Full details of post balance sheet events are disclosed in Note 27.

Heletz

On 16th April 2009, TomCo announced it received a notice from Avenue Group Inc. ('Avenue') purporting to terminate the Farmout Agreement entered into on 1st April 2008 between TomCo and its wholly owned Israeli subsidiary, Luton-Kennedy Limited and Avenue and its wholly owned subsidiary, Avenue Energy Israel ('the Agreement') relating to the Heletz-Kokav and the Iris Licence in Southern Israel (Heletz). On 3rd September 2009, TomCo, in accordance with the terms of the Agreement, commenced Arbitration proceedings asserting that the Agreement could not be terminated and that Avenue had failed to comply on numerous occasions with its obligations to TomCo under the Agreement and the related Joint Operating Agreement.

In December 2009 a first addendum to the Agreement ("First Amendment") was entered into under which the following was agreed:

1. Avenue agreed to withdraw its purported termination of the Farmout Agreement. Both parties waived previous breaches of the Farmout Agreement.
2. TomCo agreed that the December 2008 cash call could be reinstated.
3. A number of variations were agreed including a provision that TomCo's financial obligations as expressed in the Farmout Agreement were to be reduced by the $300,000 raised by a preferred stock issue that Avenue made during 2009. The participating interests of TomCo were to be reduced to 45.5% in respect of the Heletz license and 22.75% in respect of the Iris license to reflect the rights accorded to the preferred stock holders.
4. TomCo's financial obligations were subject to the satisfaction of various specified conditions precedent (mainly relating to the provision by Avenue of outstanding information) which it was anticipated would be fulfilled by 15 February 2010.
5. Once the conditions precedent were fulfilled, the parties would 'close' by Avenue formally assigning the license interests and TomCo putting $1.25 million in escrow towards future expenditures.

At the time of the First Addendum, TomCo made an advance towards payment of the reinstated cash call of $200,000.

Directors' report

Post Balance Sheet Events (continued)

A second addendum was entered into on 12 March 2010 ('Second Addendum') and at that time TomCo advanced a further $200,000 repayable if closing of the First Addendum had not occurred within eight calendar weeks.

On 16 December 2010, a Compromise Agreement between TomCo and Avenue was signed under which all Previous Agreements are 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 Licenses, Avenue agrees to issue 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 or such other subsidiary or company associated with or affiliated with Avenue that hold the Licences. 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. As a result, the likely impairment of the carrying value of the investment in Heletz at 31 December 2008 is £913,656 (2007: nil).

Financing

In December 2009, TomCo announced the subscription by Kenglo One Ltd of 200,000,000 ordinary shares in the Company at an average of 0.676p per share to net £1,352,500 for the Company before expenses. As part of this transaction, the convertible loan note issued to Trafalgar Capital Specialized Investment Fund in relation to the completion of the acquisition of Heletz (Note 19) was repaid.

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 subject to certain conditions at anytime, 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 is now defined 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 31 December 2010, the terms of this Agreement were further varied whereby the repayment date applicable of 29 December 2010 is extended to 31 May 2011. 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.

On 31 December 2010, TomCo entered into a further Loan Agreement with Kenglo One Ltd relating to an advance of £1 million repayable on or before 31 May 2011. The terms of the loan provide for payment of amounts due to Red Leaf Resources Inc by 31 December 2010 and for general working capital purposes. The loan attracts an interest rate of 12% per annum and is secured by a first priority charge over the entire issued share capital and stock of The Oil Mining Company Inc 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 31 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.

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, with a further $1,000,000 payment on 31 December 2010 plus interest of $50,981.

Directors

Directors who served on the Board during the year to 30 September 2008 were as follows:

S A Komlosy
H Crosby *
J Ryan *
G M Thompson *
J J May FCA
P M Hughes

* On 14 December 2009 John Ryan, Howard Crosby and Gerard Thompson resigned from the Board and Stephen Komlosy stepped down from the post of chairman and was appointed Chief Executive Officer. On 11 February 2010, Sir Nicholas Bonsor was appointed non executive chairman. There were no other board changes.

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

	30 September 2008		30 September 2007	
	Ordinary 0.5 pence shares	**Share warrants**	Ordinary 0.5 pence shares	Share warrants
J Ryan	46,000,000	9,886,692	46,000,000	7,386,692
H Crosby	41,780,632	9,886,692	41,780,632	7,386,692
G M Thompson*	21,344,059	17,386,692	21,344,059	7,386,692
S A Komlosy **	20,750,000	17,386,692	20,750,000	7,386,692
J J May FCA	20,750,000	17,386,692	20,750,000	7,386,692
P M Hughes	—	—	—	—

*These shareholdings include 594,059 ordinary shares held through HSBC Global Custody Nominee (UK) Limited.
** Held in the name of Barclayshare Nominees Limited.
Details of the share warrants can be found in Note 23.

Payments of creditors

The Group and Company'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 and Company's creditor payment days as at 30 September 2008 for trade creditors was 36 days and 36 days respectively (2007: 13 days and 13 days respectively).

Going concern

In order to ensure the development of its assets the Group will require further funds to finance its committed work programme on the assets. The Directors are in advanced negotiations with a number of potential investors for the injection of sufficient new capital, via further equity raisings or debt finance, which would provide sufficient funds to allow the Group and Company to meet its commitments. The Directors are confident of being able to raise the necessary funding. However there can be no guarantee that the required funding will be raised within the necessary timeframe. Based on the above the Directors therefore consider it appropriate to continue to prepare the financial statements of the Company on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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 during the year and at the date of the Directors report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations adopted by the European Union ("EU") and with those parts of the Isle of Man Companies Acts 1931 to 2004 applicable to companies reporting under IFRS. The Directors are required by Isle of Man company law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the Group's profit, or loss for the year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS 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 will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Isle of Man

Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

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

BDO LLP were appointed as auditors during the year and have expressed their willingness to continue to act as auditors. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

John May

Company Secretary

31 January 2011

Independent auditors' report
to the members of TomCo Energy Plc

We have audited the Group and parent company financial statements (the "financial statements") of TomCo Energy Plc for the year ended 30 September 2008, which comprise the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 15(1) of the Companies Acts 1982. 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

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004 and whether in our opinion the information given in the Directors' report is consistent with the financial statements.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report and the Chairman's statement.

Basis of 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 and Company's circumstances, consistently applied and adequately disclosed.

We planned 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the Group financial statements give a true and fair view in accordance with IFRS as adopted by the European Union of the state of the affairs of the Group and parent company as at 30 September 2008 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

In our opinion the information given in the Directors' report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the Group and Company's ability to continue as going concerns

In order to ensure the development of its assets the Group will require further funds to finance its committed work programme on the assets. The Directors are in advanced negotiations with a number of potential investors for the injection of sufficient new capital, via further equity raisings or debt finance, which would provide sufficient funds to allow the Group and Company to meet its commitments. The Directors are confident of being able to raise the necessary funding. However there can be no guarantee that the required funding will be raised within the necessary timeframe therefore these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

BDO LLP

BDO LLP

Chartered Accountants and Registered Auditors, London

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

1 February 2011

Consolidated income statement
for the financial year ended 30 September 2008

	Note	**2008** £'000	2007 Restated £'000
Revenue	2	**81**	68
Cost of sales	2	**(384)**	(49)
Gross (loss)/profit		**(303)**	19
Administrative expenses	5	**(1,334)**	(1,623)
Operating loss		**(1,637)**	(1,604)
Finance income	3	**164**	30
Finance costs	4	**(124)**	-
Loss before taxation	5	**(1,597)**	(1,574)
Taxation	6	**-**	-
Loss for the year attributable to equity shareholders		**(1,597)**	(1,574)

Earnings per share		**2008** Pence per share	2007 Restated Pence per share
Basic & Diluted Loss per share	8	**(0.32)**	(0.44)

The Company has elected to take exemption under the Companies Act 1931–2004 to not present the parent company's income statement. The loss for the parent company for the year was £2,059,665 (restated 2007: £1,110,578).

Balance sheets
as at 30 September 2008

	Note	Group 2008 £'000	Company 2008 £'000	Group 2007 Restated £'000	Company 2007 Restated £'000
Assets					
Non-current assets					
Intangible assets	10	**6,309**	**-**	6,309	-
Property, plant and equipment	9,12	**978**	**28**	551	6
Investment in subsidiaries	13	**-**	**6,309**	-	6,309
Other receivables	16	**-**	**1,470**	-	1,054
Available-for-sale financial assets	14	**-**	**-**	49	49
		7,287	**7,807**	6,909	7,418
Current assets					
Inventories	15	**42**	**-**	-	-
Trade and other receivables	16	**211**	**76**	54	64
Cash and cash equivalents	17	**405**	**99**	136	101
		658	**175**	190	165
TOTAL ASSETS		**7,945**	**7,982**	7,099	7,583
Liabilities					
Current liabilities					
Trade and other payables	18	**(107)**	**(107)**	(93)	(115)
Convertible Loan	19	**(394)**	**(394)**	-	-
Derivative liability	19	**(26)**	**(26)**	-	-
		(527)	**(527)**	(93)	(115)
Net current assets/(liabilities)		**131**	**(352)**	97	50
Non-current liabilities					
Other liabilities	18	**-**	**(37)**	-	-
Convertible Loan	19	**(197)**	**(197)**	-	-
		(197)	**(234)**	-	-
TOTAL LIABILITIES		**(724)**	**(761)**	(93)	(115)
Total net assets		**7,221**	**7,221**	7,006	7,468
Shareholders' equity					
Share capital	21	**2,690**	**2,690**	2,217	2,217
Share premium	22	**7,489**	**7,489**	6,717	6,717
Warrant reserve		**1,015**	**1,015**	448	448
Retained deficit		**(3,973)**	**(3,973)**	(2,376)	(1,914)
Total equity		**7,221**	**7,221**	7,006	7,468

The accounts on pages 8 to 34 were approved and authorised for issue by the Board of Directors on 31 January 2011.

Stephen Komlosy — Director

John May — Director

Consolidated and Company statement of changes in equity

for the financial year ended 30 September 2008

		Attributable to the equity holders of the parent					Attributable to the equity holders of the parent				
		Group					Company				
	Note	Share capital	Share premium (restated)	Warrant reserve (restated)	Retained earnings (restated)	Total (restated)	Share capital	Share premium (restated)	Warrant reserve (restated)	Retained earnings (restated)	Total (restated)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2006		832	188	-	(802)	218	832	188	-	(802)	218
Loss for the financial year (as restated)	1.25	-	-	-	(1,574)	(1,574)	-	-	-	(1,112)	(1,112)
Total recognised income and expense for the year		-	-	-	(1,574)	(1,574)	-	-	-	(1,112)	(1,112)
Issue of share capital (as restated)	1.25	1,385	6,694	-	-	8,079	1,385	6,694	-	-	8,079
Costs of issue of share capital (as restated)	1.25	-	(165)	-	-	(165)	-	(165)	-	-	(165)
Recognition of share-based payments (as restated)	1.25	-	-	448	-	448	-	-	448	-	448
Restated balance at 1 October 2007		2,217	6,717	448	(2,376)	7,006	2,217	6,717	448	(1,914)	7,468
Loss for the financial year		-	-	-	(1,597)	(1,597)	-	-	-	(2,059)	(2,059)
Total recognised income and expense for the year		-	-	-	(1,597)	(1,597)	-	-	-	(2,059)	(2,059)
Issue of share capital		473	1,011	-	-	1,484	473	1,011	-	-	1,484
Costs of issue of share capital			(239)			(239)	-	(239)	-	-	(239)
Recognition of share-based payments		-	-	567	-	567	-	-	567	-	567
At 30 September 2008		**2,690**	**7,489**	**1,015**	**(3,973)**	**7,221**	**2,690**	**7,489**	**1,015**	**(3,973)**	**7,221**

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 income statement.

Consolidated cash flow statements

for the financial year ended 30 September 2008

	Note	Group 2008	Company 2008	Group 2007 Restated	Company 2007 Restated
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Loss after tax		**(1,597)**	**(2,059)**	(1,574)	(1,112)
Impairment of oil leases	9	**71**	**-**	119	-
Impairment of Group balances	16	**-**	**1,469**	-	-
Loss on disposal of oil & gas property	9	**99**	**-**	-	-
Impairment of investments	14	**56**	**56**	94	94
Depreciation and Amortisation	9, 12	**76**	**3**	42	1
Share-based payments	23	**402**	**402**	352	352
Finance income	3	**(4)**	**(4)**	(30)	(5)
Finance costs	4	**124**	**124**	-	-
Increase in inventories	15	**(42)**	**-**	-	-
(Increase)/decrease in trade and other receivables	16	**(157)**	**(446)**	32	(1,031)
Increase/(decrease) in trade and other payables	18	**(78)**	**(76)**	46	68
Currency translation differences		**(24)**	**-**	24	-
Cash used in operations		**(1,074)**	**(531)**	(895)	(1,633)
Cash flows from investing activities					
Purchase of equipment	9	**(25)**	**(25)**	(5)	(5)
Purchase of oil leases	9	**(660)**	**-**	(703)	-
Proceeds from disposal of oil & gas asset	9	**315**	**-**	-	-
Movement in intercompany loans	9, 16	**-**	**(1,139)**	-	-
Purchase of available for sale financial assets	14	**-**	**-**	(50)	(50)
Financial income	3	**4**	**4**	30	30
Net cash used in investing activities		**(366)**	**(1,160)**	(728)	(25)
Cash flows from financing activities					
Proceeds from issue of share capital	21	**1,232**	**1,232**	1,793	1,793
Proceeds from issue of loan note	19	**771**	**771**	-	-
Costs of loan note	19	**(75)**	**(75)**	-	-
Costs of issuing share capital	21	**(207)**	**(207)**	(117)	(117)
Loan interest paid	19	**(32)**	**(32)**	-	-
Net cash generated from financing activities		**1,689**	**1,689**	1,676	1,676
Net increase in cash and cash equivalents		**249**	**(2)**	53	18
Exchange gain/ (loss) on cash and cash equivalents		**20**	**-**	-	-
Cash and cash equivalents at beginning of financial year		**136**	**101**	83	83
Cash and cash equivalents at end of financial year		**405**	**99**	136	101

Notes to the financial statements
for the financial year ended 30 September 2008

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 Acts 1931 to 2004 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; (Note 9)

- 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 19).

- Share based payments (Note 23);

- Contingent liabilities (Note 26);

The Group has consistently applied all applicable accounting standards.

Going concern

In order to ensure the development of its assets the Group will require further funds to finance its committed work programme on the assets. The Directors are in advanced negotiations with a number of potential investors for the injection of sufficient new capital, via further equity raisings or debt finance, which would provide sufficient funds to allow the Group and Company to meet its commitments. The Directors are confident of being able to raise the necessary funding. However there can be no guarantee that the required funding will be raised within the necessary timeframe. Based on the above the Directors therefore consider it appropriate to continue to prepare the financial statements of the Company on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern

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)
• IFRIC 11	Group Treasury Share Transactions	1 March 2007

There were no new standards, interpretations and amendments to published standards effective in the years which were not relevant to the Group.

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)
• IFRIC 12	Service concession arrangements	1 Jan 2008
• IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 Jan 2008
• IFRIC 13	Customer loyalty programmes	1 Jul 2008
• IAS 39/IFRS7	Reclassification of financial instruments – Effective date and transition	1 Jul 2008
• IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008

1.2 Future changes in accounting standards (continued)

		Effective date (periods beginning on or after)
• IAS 1	Amendment - Presentation of financial statements: a revised presentation	1 Jan 2009
• IAS 23	Amendment - Borrowing costs	1 Jan 2009
• IFRS 2	Amendment - Share-based payment: vesting conditions and cancellations	1 Jan 2009
International Accounting Standards (IAS/IFRS)		
• IFRS 7	Amendment – Improving Disclosures about Financial Instruments	1 Jan 2009
•	Improvements to IFRSs	1 Jan 2009
• IFRS 8	Operating Segments	1 Jan 2009
• IFRS1 and IAS 27	Amendments – Cost of an Investment in a subsidiary, jointly controlled entity or associate	1 Jan 2009
• IAS 32 and 1	Amendments - Puttable financial instruments and obligations arising on Liquidation	1 Jan 2009
• IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
• IFRS 1	First-time adoption of international accounting standards	1 Jan 2009
• IFRIC9 and IAS 39	Amendments – Embedded derivatives	30 Jun 2009
• IAS 27	Amendment - Consolidated and separate financial statements	1 Jul 2009
• IAS 39	Amendment –Recognition and measurement: Eligible hedged items	1 Jul 2009
• IFRS 3	Revised - Business combinations	1 Jul 2009
• IFRIC 17	Distributions of non-cash assets to owners	1 Jul 2009
• IFRIC 18	Transfers of assets from customers	1 Jul 2009
• IFRS 1	Additional exemptions for first-time adopters	1 Jan 2010
• IFRS 2	Amendment – Group Cash-settled Share Based payment transactions	1 Jan 2010
Various	Improvements to IFRSs (2009)	generally 1 Jan 2010
• IAS32	Amendment – Classification of Rights Issues	1 Feb 2010
• IFRIC19	Extinguishing Financial Liabilities with Equity Instruments	1 Apr 2010
• IFRS 1	Amendment – first time adopters of IFRS	1 Jul 2010
• IAS24	Revised – Related party disclosures	1 Jan 2011
• IFRIC 14 and IAS19	Amendment to IFRIC 14 – IAS 19 Limit on a defined benefit asset, Minimum funding requirements and their interaction	1 Jan 2011
• IFRS 7*	Disclosures – Transfers of Finance Assets	1 Jul 2011
• IFRS1*	Severe hyperinflation and remove of fixed dates for first time adopters	1 Jan 2013
Various *	Improvements to IFRSs (2010)	genereally 1 Jan 2011
• IAS 12*	Deferred tax –recovery of underlying assets	1 Jul 2012
• IFRS 9*	Financial instruments	1 Jul 2013

The adoption of IFRS 8 and the amendment to IAS 1 and IFRS 7 will affect the presentation and disclosure of the financial statements. The amendment to IAS 23 and IFRS 2 are not expected to have any financial effect in the year of adoption.

In addition the adoption of IFRS 3 Revised, which would materially affect the presentation and financial impact of a business combination, the above standards, interpretations and amendments will not significantly affect the Group's results or financial position. The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material affect 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 2008. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for on the purchase basis. 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 income statement.

1.4 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and reward that are different from those of segments operating in other economic environments.

1.4 Segmental reporting (continued)

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 further segmental analysis by business segments is required, the Group's secondary business segments are oil production and investing activities.

The Directors consider that no further segmentation is appropriate. The Group's revenue arises only within the US and Israel. The profit /(loss) before taxation arises only within the UK, US and Israel. Net assets are only in the UK Israel, and the US.

1.5 Revenue

Turnover represents the Group's share of sales of oil during the year, excluding sales tax and royalties. All income arises from the US and is recognised when the oil is received by the customer, and are net of taxes and royalty interests

1.6 Interest income

Interest income is accounted for on an effective interest basis.

1.7 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.

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 and gas properties in Note 9.

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.

1.8 Oil and gas exploration costs

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.

Proceeds from the disposal of oil and gas assets accounted for in the pool are deducted from capitalised costs with no gain or loss being recognised.

A review is performed each year for any indication that the value of oil and gas properties may be subject to impairment. Where there are such indications, an impairment test is carried out and if necessary additional depletion is charged if the capitalised costs of evaluated properties exceed the estimated value of the related commercial reserves of oil and gas within the pools. The value is based on the higher of anticipated future costs and revenues (discounted) attributable to such reserves.

1.9 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.

1.10 Asset disposals

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

1.11 Joint arrangements

The Group participates in Joint Ventures, for the joint exploration, development and production activities under contractual arrangements that involve the joint control of assets used in the exploration and development activities. The Group accounts for its share of assets, liabilities, income and expenditure of Joint Ventures in which the Group holds an interest, classified in the appropriate Balance Sheet and Income Statement headings. The Group's principal licence interests in Israel are jointly controlled assets.

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 balance sheet date. Taxable profit differs from net profit as reported in the income statement 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 balance sheet 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 income statement, 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 Inventories

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

1.14 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 overseas subsidiaries in US dollars are translated into pounds sterling at the rate of exchange ruling at the balance sheet date and income statement 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 income statement for that period.

1.15 Operating leases

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

1.16 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 in 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 the income statement is reclassified from the available-for-sale reserve to profit or loss.

1.17 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.

1.17 Loans and receivables (continued)

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 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.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

1.18 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.

1.19 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. Any other trade payables are stated at cost.

All of the trade payables are non-interest bearing.

1.20 Convertible bond – hybrid financial instruments

Where a convertible loan meets the definition of a compound financial instrument the component parts are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements. However, where, at inception, the conversion option is 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 convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan (the host contract) is a hybrid financial instrument and the option to convert is an embedded derivative.

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.

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 income statement 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.

The fair values of any embedded derivative are calculated using Black Scholes or other simulation models depending on the characteristics of the loan notes.

1.21 Share capital

Ordinary shares are classified as equity.

1.22 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 23.

1.23 Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less provision for diminution in value.

1.24 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.

1.24 Financial risk management (continued)

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. The Directors have not set out procedures to deal with foreign exchange risk, interest rate risk, credit risk, liquidity risk and price risk.

a) Foreign exchange risk

The Group is exposed to foreign exchange risks primarily to the US dollar and Israeli shekel. The Group holds equity investments that are either US companies or have US operations. The Group also holds cash in US dollar bank accounts. Through the Farm-in agreement with its joint venture partner in Israel, the Group is exposed to the Israeli shekel.

b) Interest rate risk

The Group has interest bearing assets in cash balances of £405,000 (2007:£136,000). Interest earned on cash balances is not significant. The Group has a fixed rate convertible loan note, which is described in Note 19, which is not subject to interest rate risk.

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.

1.25 Prior year adjustment

The prior year comparatives have been adjusted for a revisions in accounting policy and corrections as noted below, further detail is included in the relevant notes to the financial statements. The following line items with in the financial statements were affected:

		1 October 2007	Movement for the year		30 September 2007
		As reported	As previously reported	Prior year adjustment	As restated
		£'000	£'000	£'000	£'000
CONSOLIDATED INCOME STATEMENT					
Loss for the year	1	-	(1,212)	(362)	(1,574)
CONSOLIDATED BALANCE SHEET					
Intangible assets	2	-	5,347	962	6,309
CONSOLIDATED SHAREHOLDERS' EQUITY					
Share premium	3	188	5,405	1,124	6,717
Warrant reserve	4	-	272	176	448
Retained earnings	5	(802)	(1,236)	(338)	(2,376)
Total		(614)	4,441	962	4,789

1 Adjustment represents net effect on the income statement of the 2007 adjustments noted below.

2 Adjustment arose in respect of an error identified over the treatment of fair value of the consideration in the acquisition of The Oil Mining Company Inc; a reversal of previously charged depreciation in respect intangible assets which should not have been depreciated but had previously been treated as part of Property, plant and equipment; and a required correction of the costs incorrectly capitalised now charged to the income statement (Note 11).

3 Adjustment represents the net effect of the 2007 adjustments noted in 2 above.

4 Adjustment reflects the allocation of the full cost of warrants issued for share based payments in the year of vesting due to there being no performance criteria attached to the exercise of the warrants. The cost of the warrants had previously been amortised over 2 years.

5 Adjustment represents the net effect on retained deficit.

There was (0.09) pence per share impact on loss per share in respect of the comparative year as a result of the prior year adjustments. There is no impact on the consolidated cash flow statement as a result of the adjustments.

Notes to the financial statements
for the financial year ended 30 September 2008

2. Segmental reporting - *Analysis by geographical segment*

Based on an analysis of risks and returns, the Directors consider that the Group has one primary business segment; geographical location, the table below is the analysis of the Group by geography its primary reporting segment.

Year ended 30 September	Israel 2008 £'000	United States 2008 £'000	United Kingdom 2008 £'000	Total 2008 £'000	United States 2007 £'000	United Kingdom 2007 £'000	Total 2007 Restated £'000
Continuing activities							
Revenue	-	81	-	81	68	-	68
Cost of sales	(314)	(51)	(19)	(384)	(49)	-	(49)
Gross profit/(loss)	(314)	30	(19)	(303)	19	-	19
Amortisation	-	(73)	(56)	(129)	(41)	-	(41)
Depreciation	-	-	(3)	(3)	-	(1)	(1)
Share based payments	-	-	(402)	(402)	-	(352)	(352)
Administrative expenses	(42)	(213)	(545)	(800)	(260)	(969)	(1,229)
Operating loss	(356)	(256)	(1,025)	(1,637)	(282)	(1,322)	(1,604)
Financial income	-	-	164	164	-	30	30
Finance costs	-	-	(124)	(124)	-	-	-
(Loss) for the year	(356)	(256)	(985)	(1,597)	(282)	(1,292)	(1,574)
Current and non-current assets:							
– property, plant and equipment	-	-	28	28	-	6	6
– intangible asset	-	6,309	-	6,309	6,309	-	6,309
– oil properties	914	36	-	950	545	-	545
– available-for-sale financial assets	-	-	-	-	49	-	49
Inventories	42	-	-	42	-	-	-
Trade and other receivables	122	10	79	211	15	39	54
Cash and cash equivalents	-	305	100	405	25	101	136
Total assets	1,078	6,660	207	7,945	6,943	146	7,099
Current liabilities:							
Trade and other payables	-	-	(107)	(107)	-	(93)	(93)
Convertible loan	-	-	(394)	(394)	-	-	-
Derivative liability	-	-	(26)	(26)	-	-	-
	-	-	(527)	(527)	-	(93)	(93)
Non-current liabilities:							
Convertible loan	-	-	(197)	(197)	-	-	-
	-	-	(197)	(197)	-	-	-
Total liabilities	-	-	(724)	(724)	-	(93)	(93)

2. Segmental reporting (continued) - *Analysis by business segment*

Furthermore the Directors consider that further segmental analysis by business segments is also required, the Group's secondary business segments are oil production and investing activities, which is included in the table below. The Directors consider that no further segmentation is appropriate.

Year ended 30 September	Oil production activities 2008	Exploration activities 2008	Central costs 2008	Total 2008	Oil production activities 2007 Restated	Exploration activities 2007 Restated	Central costs 2007 Restated	Total 2007 Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing activities								
Revenue	81	-	-	81	68	-	-	68
Cost of sales	(377)	-	(7)	(384)	(49)	-	-	(49)
Gross profit/(loss)	(296)	-	(7)	(303)	19	-	-	19
Amortisation	(73)	-	(56)	(129)	(41)	-	-	(41)
Depreciation	-	-	(3)	(3)	-	-	(1)	(1)
Share based payments	-	-	(402)	(402)	-	-	(352)	(352)
Administrative expenses	(42)	-	(758)	(800)	(260)	-	(969)	(1,229)
Operating loss	(411)	-	(1,226)	(1,637)	(282)	-	(1,322)	(1,604)
Financial income	-	-	164	164	-	-	30	30
Finance costs	-	-	(124)	(124)	-	-	-	-
Loss for the year	(411)	-	(1,186)	(1,597)	(282)	-	(1,292)	(1,574)
Current assets:								
– property, plant and equipment	-	-	28	28	-	-	6	6
– intangible assets	-	6,309	-	6,309	-	6,309	-	6,309
– oil properties	950	-	-	950	545	-	-	545
– available-for-sale financial assets	-	-	-	-	-	-	49	49
Inventories	42	-	-	42	-	-	-	-
Trade and other receivables	132	-	79	211	15	-	39	54
Cash and cash equivalents	305	-	100	405	13	-	123	136
Total assets	1,429	6,309	207	7,945	573	6,309	217	7,099
Current liabilities:								
Trade and other payables	-	-	(107)	(107)	-	-	(93)	(93)
Convertible loan	(394)	-	-	(394)	-	-	-	-
Derivative liability	(26)	-	-	(26)	-	-	-	-
	(420)	-	(107)	(527)	-	-	(93)	(93)
Non current liabilities:								
Convertible loan	(197)	-	-	(197)	-	-	-	-
	(197)	-	-	(197)	-	-	-	-
Total liabilities	(617)	-	(107)	(724)	-	-	(93)	(93)

Notes to the financial statements
for the financial year ended 30 September 2008

2. Segmental reporting (continued) – *Additional disclosures*

Year ended 30 September	Israel 2008 £'000	United States 2008 £'000	Israel 2007 £'000	United States 2007 £'000
Segmental analysis additions				
Intangible Oil & Gas properties	-	-	-	6,309
Oil & Gas properties	907	-	-	729
Other Property, plant and equipment	-	-	-	-

There were no significant additions in the year in the United Kingdom in either the current or prior year.

3. Finance income

	2008 £'000	2007 £'000
Interest on bank deposits	4	8
Gain on derivative element of loan note (Note 19)	135	-
Foreign exchange	25	-
Dividends received	-	22
	164	30

4. Finance costs

	2008 £'000	2007 £'000
Interest charged on loan note (Note 19)	92	-
Interest paid	32	-
	124	-

5. Loss before taxation

	2008	2007 Restated
The following items have been charged/(credited)in arriving at operating loss:	£'000	£'000
Depreciation of property, plant and equipment	3	1
Amortisation	73	41
Oil lease impairment	71	119
Available for sale financial asset impairment	56	94
Directors' fees and wages	147	139
Share-based payments charge – income statement	402	352
Auditors' remuneration:		
– audit services	25	-
Auditors' remuneration – prior year auditor		
– audit services	-	9
– non-audit services	-	14
Rentals payable in respect of land and buildings	81	52
Foreign exchange (gain)/loss	(20)	24

6. Taxation

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

Factors affecting the tax charge:

	2008	2007 Restated
	£'000	£'000
Loss on ordinary activities before tax	**(1,597)**	(1,574)
Loss on ordinary activities at standard rate of corporation tax in the UK of 30%	**(479)**	(472)
Effects of:		
Excess management expenses carried forward	**423**	434
Expenses not deductible for tax purposes	**56**	38
Tax charge for the financial year	**-**	-

The Group has tax losses in respect of excess management expenses of £1,941,491 (2007: £1,342,566) available for offset against future Company income. This gives rise to a potential deferred tax asset at the balance sheet date of £582,447 (2007: £402,770). 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. The Group, through its subsidiaries has available tax losses of £921,616 (2007: £452,100) and £356,413 (2007: nil) In the US and Israel respectively which are available to be carried forward and utilised against future profits in accordance with the tax laws of each jurisdiction.

7. 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 in the year, further details of which are included in note 23. The amounts paid for their services are detailed below:

	Fees 2008 £'000	Wages 2008 £'000	Share-based payments 2008 £'000	Total 2008 £'000	Fees 2007 £'000	Share-based payments 2007 £'000	Total 2007 £'000
S A Komlosy	**38**	**3**	**79**	**120**	23	70	93
H Crosby	**-**	**-**	**20**	**20**	23	70	93
J Ryan	**-**	**-**	**20**	**20**	23	70	93
G M Thompson	**38**	**3**	**79**	**120**	23	70	93
J J May	**38**	**3**	**79**	**120**	23	70	93
P Hughes	**24**	**-**	**-**	**24**	24	-	24
Total employment costs	**138**	**9**	**277**	**424**	139	350	489

8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Earnings	Weighted average Number of shares	Per share Amount
Financial year ended 30 September 2008	**£'000**	**'000**	**Pence**
Basic and Diluted EPS			
Earnings attributable to ordinary shareholders	**(1,597)**	**493,476**	**(0.32)**
Financial year ended 30 September 2007	£'000	'000	Pence
Basic and Diluted EPS			
Earnings attributable to ordinary shareholders	(1,574)	359,746	(0.44)

The warrants which were in issue at the year end (Note 23) are considered anti-dilutive. The convertible loan note (Note 19) is also potentially anti-dilutive. As the options and warrants would be anti dilutive a separate diluted loss per share is not presented. Subsequent to the year end the Group issued shares, detailed in Note 21 and there were significant movements in the outstanding warrants (Note 23).

9. Group property, plant and equipment

Cost	Oil properties £'000	Fixtures, fittings and equipment £'000	Total £'000
At 1 October 2006	-	2	2
Additions	729	5	734
Impairment	(119)	-	(119)
Exchange difference	(24)	-	(24)
Restated at 30 September 2007	586	7	593
Additions	907	25	932
Disposal	(490)	-	(490)
Impairment	(71)	-	(71)
Exchange difference	56	-	56
At 30 September 2008	**988**	**32**	**1,020**
Depreciation			
Charge in year	(41)	(1)	(42)
Restated at 30 September 2007	**(41)**	**(1)**	**(42)**
Charge in year	(73)	(3)	(76)
Disposal	76	-	76
At 30 September 2008	**(38)**	**(4)**	**(42)**
Net book value			
At 30 September 2008	**950**	**28**	**978**
Restated at 30 September 2007	545	6	551
At 30 September 2006	-	2	2

The Company held interests in production wells in the USA comprising two separate wells, "Flusche" and "Rock Crossing", and a 50% holding in the Mark III leases, "Saratoga and Abel" in Lubbock County, Texas, which have 8 producing wells and preliminary estimated Reserves of 28,960 barrels. In March 2008 the Flusche well ceased to produce and was plugged, consequently an impairment charge of £71,000 (2008 - £Nil) was recorded.

On 27 August 2008, the Company announced the sale of its 50% interest in the Abel and Saratoga leases, located in South Texas, for £314,563 (US$575,000) in cash. The bill of sale for this transaction was entered into on 22 August 2008, with a retrospective effective date of 1 May 2008.

On 2nd April 2008 TomCo announced that it had completed the Farm-in of interests in two petroleum licenses (the "Heletz fields"), onshore Israel from Avenue Group Inc (AVNU.OB), a New York based USA listed Oil & Gas Company, ("Avenue"). The interests acquired are a 50% interest in the Heletz-Kokhav License and a 25% interest in the Iris License (the "Licenses"), which include the original Heletz-Kokhav oilfield opened in 1955 by BP ("Heletz"). The concessions were awarded to Avenue by the Israel Petroleum Commission and are extendable 3-year production and development licenses which can be extended to 30-year production leases once production from the field has increased to an estimated 300 barrels of oil per day ("bpd").

9. Group property, plant and equipment (continued)

The completion terms were:

1. At completion TomCo paid a US$1 million cash fee to Avenue Group Inc ("Avenue") in respect to the transfer of the 50% and 25% interests in the Heletz oil fields from Avenue to Luton Kennedy Limited ("LKL").
2. TomCo issued to Avenue 12,618,615 ordinary shares of 0.5p each in the Company ("TomCo Shares") valued at approximately US$500,000 at 2p per share with a one year sale restriction.
3. TomCo paid US$107,000 to Avenue in respect to 50% of costs incurred prior to completion in relation to the Licenses.
4. Over the three year Phase 1 period of the Licenses TomCo and LKL will pay up to a maximum of US$4.5 million of oil field development costs.

On 16 December 2010, a Compromise Agreement between TomCo and Avenue was signed under which all Previous Agreements are 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 (Note 27).

10. Intangible assets

	Oil & Gas exploration assets (restated)
	£'000
Cost and net book value	
Acquired in 2007 (Note 11)	6,309
At 30 September 2007 and 2008	**6,309**

The Oil & Gas assets 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 unevaluated Oil & Gas properties at the reporting date, the Directors concluded that, although no exploration activity has been undertaken during the year ended 30 September 2008, it was not appropriate to book an impairment.

The Directors have formed this opinion based upon their calculation of estimated fair value less cost to sell. This is considered to be in excess of the carrying value of the asset and has been internally valued based on the estimated reserves in place, a probability of recovery and an estimate of the oil price and costs of extraction.

11. Acquisitions in prior year

On 16 January 2007, the company acquired the entire issued share capital of The Oil Mining Company Inc. through the issue of 200,000,000 new Ordinary shares at a price of 2.5p. The fair value price in 2007 was initially calculated with reference to the placing price at the time of the acquisition. This was subsequently adjusted and the calculation of the fair value of the consideration was adjusted to reflect the actual open market price of the shares on AIM at the date of acquisition of 3.1p. The overall impact resulted in a restatement to the valuation of oil & gas exploration assets of £1.2 million. There was no Income Statement impact of this adjustment. Costs associated with the acquisition amounted to £108,969, resulting in a total revised purchase consideration of £6,308,969.

In addition, the oil & gas exploration asset was reclassified at acquisition from tangible oil & gas properties to oil & gas exploration properties in accordance with IFRS 6, which resulted in the reversal of previously charged depreciation of £217,000, which reduced the loss in 2007 and had a corresponding impact on net equity.

The assets and liabilities as of 16 January 2007 arising from the acquisition are therefore restated as follows:

	Fair value At acquisition (restated) £'000
Intangible assets acquired and consideration	**6,309**

12. Company property, plant and equipment

Cost	**Fixtures, fittings and equipment £'000**	**Total £'000**
At 1 October 2006	2	2
Additions	5	5
At 30 September 2007	7	7
Additions	25	25
At 30 September 2008	**32**	**32**
At 1 October 2006	-	-
Depreciation	(1)	(1)
At 30 September 2007	(1)	(1)
Charge in year	(3)	(3)
At 30 September 2008	**(4)**	**(4)**
Net book value		
At 30 September 2008	**28**	**28**
At 30 September 2007	6	6
At 30 September 2006	2	2

13. Company investment in subsidiaries

Shares in Group undertakings

	Total
	Restated
Cost	**£'000**
At 30 September 2007 and 2008	**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 and TomCo III LLC, both incorporated in Delaware, USA. TomCo II is enagaged in the exploration and extraction of oil and gas through joint investment in oil leases. TomCo III is dormant. During 2009, the registration of TomCo III was not renewed.

14. Available-for-sale financial assets

	Unlisted investments £'000
At 1 October 2006	124
Additions	50
Exchange difference	(1)
At 30 September 2007	173
Exchange difference	7
At 30 September 2008	**180**
Provisions	
At 1 October 2006	30
Provided in year	94
At 30 September 2007	124
Provided in year	56
At 30 September 2008	180
Fair value	
At 30 September 2008	-
At 30 September 2007	49
At 30 September 2006	94

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	49

The Directors have provided in full for all the investments in Equity Securities due to the uncertain future of the Companies.

15. Inventories

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Inventories	42	-	-	-

Notes to the financial statements
for the financial year ended 30 September 2008

16. Trade and other receivables

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Current Receivables				
Amounts owed by Group undertakings	-	-	-	26
Trade receivables	15	12	-	-
Other receivables	134	12	11	9
Prepayments	62	52	43	29
	211	76	54	64
Non-Current Receivables				
Amounts owed by Group undertakings	-	1,470	-	1,054
Total Receivables	211	1,546	54	1,118

As at 30 September 2008 there were no receivables considered past due (2007: £Nil). Having considered the carrying value of amounts owing from Group undertakings against net realisable value, the Board has made a general provision against these amounts in the year of £1,469,588. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable including cash and cash equivalents as disclosed in Note 24. In the opinion of the directors the carrying value of the financial assets approximates to their fair value.

17. Cash and cash equivalents

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Cash at bank and in hand	405	99	136	101

	2008	2007
Effective variable interest rate on short term bank deposits (%)	1.0	5.88

18. Trade and other payables

	Group 2008	Company 2008	Group 2007	Company 2007
Current	£'000	£'000	£'000	£'000
Amount owed to Group undertaking	-	-	-	20
Trade payables	75	75	30	30
Other payables	13	13	12	12
Accruals	19	19	51	53
	107	107	93	115
Non-Current Payables				
Amounts owed to Group undertakings	-	37	-	-
Total Payables	107	144	93	115

All 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.

19. Financial liabilities

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Current:				
Convertible loan	**394**	**394**	-	-
Derivative element	**26**	**26**	-	-
	420	**420**	-	-
Non current:				
Convertible loan	**197**	**197**	-	-
	197	**197**	-	-
Total	**617**	**617**	-	-

At completion of the acquisition of Heletz on 2 April 2008 (see note 9), the Company issued a 24 months 8% Convertible Loan Note to Trafalgar Capital Specialized Investment Fund (Trafalgar) for €1,000,000 (£771,605) with a minimum convertibility at 2p per share and repayments commencing in October 2008 at €50,000 (£45,555) per month. The Company has also issued to Trafalgar 7,000,000 warrants (Note 23) with a three years term and an exercise price of 1.63p. Additionally, TomCo paid a fee of €25,000 (£12,500) to Trafalgar which was satisfied by the issue of 1,179,562 ordinary shares of the Company at a price of 1.66p per share. As at 30 September 2008, if the Loan Note had been converted, it would equate to 38,580,250 shares.

As the conversion option is denominated in foreign currency terms 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 Note does not meet the definition of a compound financial instrument. Instead the note (the host contract) is a hybrid financial instrument and the option to convert is an embedded derivative. The host contract carrying value on initial recognition is based on the net proceeds of issuance of the note reduced by the fair value of the embedded derivatives and is subsequently carried at each reporting date at amortised cost.

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 profit or loss as they arise.

These principles have been reflected as follows:

	Group and Company 2008 £000
Proceeds from issue of convertible loan	771
Loan transaction costs	(111)
Net Proceeds from convertible loan	660
Convertible loan debt portion – amortised cost	499
Derivative financial instruments – fair value	161
	660
Convertible loan debt portion at inception	499
Interest charged	92
Closing convertible loan debt portion – amortised cost	591
Derivative financial instruments – conversion option at inception	161
Fair value movement – gain	(135)
Closing derivative financial instruments conversion option	26

The fair value of the derivative financial instrument was calculated using a Black Scholes model for the conversion option. The inputs used were as follows:

	30 September 2008	At inception
Option term	1.5 years	2 years
Share price	0.92p	1.79p
Exercise price	2.0p	2.24p
Risk free rate	5%	5%
Expected volatility	55%	55%
Exchange rate	£1: €1.2644	£1: €1.296

The fair value of the derivative financial instruments disclosed in the financial statements was determined using a valuation technique based on assumptions that are not supported by prices from observable current market transaction in the same instrument.

20. Deferred tax assets and liabilities

Unrecognised losses

The Group 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.

	2008	2007
	£'000	£'000
Losses carried forward	**1,941**	1,343

21. Share capital

	2008	2007
	£	£
Authorised		
1,000,000,000 ordinary shares of £0.005 each	**5,000,000**	5,000,000
	5,000,000	5,000,000
Issued and fully paid		
Brought forward	**2,217,255**	831,673
Allotted during year:		
January 2007	-	1,271,190
February 2007	-	100,050
March 2007	-	14,342
March 2008	**406,324**	-
April 2008	**66,667**	-
	472,991	1,385,582
538,049,151 ordinary shares of £0.005 each (2007: 443,451,000 ordinary shares of £0.005 each)	**2,690,246**	2,217,255

Post balance sheet, following passing of a resolution at an EGM, the authorised share capital of the Company was increased from £5,000,000 to £7,500,000 by the creation of 500,000,000 new ordinary shares of 0.5p each ranking pari passu in all respects with the existing ordinary shares (Note 27)

Post balance sheet, the company has also issued 221,500,000 ordinary shares (nominal value: £1,107,500) at an average price of £0.0068. The total number of ordinary shares in issue post balance sheet are 759,549,151 (nominal value: £3,797,745).

22. Share premium

	2008	2007
		Restated
	£000	£000
At 1 October	**6,717**	188
Premium on shares issued in the year (Note 21)	**1,011**	6,714
Expenses of issue	**(239)**	(185)
At 30 September	**7,489**	6,717

23. Share-based payments

At 30 September 2008, the following share warrants granted for services and shares are outstanding in respect of the ordinary shares:

	2008 number	**2008 Weighted average exercise price pence**	2007 number	2007 Weighted average exercise price pence
Outstanding at 1 October	**45,802,479**	**2.5**	2,868,372	0.817
Granted during the year	**101,678,656**	**2.4**	45,802,479	2.5
Exercised during the year	**-**	**-**	(2,868,372)	0.817
Outstanding at 30 September	**147,481,135**	**2.4**	45,802,479	2.5
Exercisable at 30 September	**147,481,135**	**2.4**	45,802,479	2.5

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.

During the year, following an issue of equity raising £1.2 million before expenses, 80,800,000 warrants were issued under the following conditions: for each 2 shares placed, one warrant was attached to subscribe for a new ordinary share at 2.5 pence with a duration of 13 months; and a further warrant at an exercise price of 5 pence 13 months from the date of exercise of the first warrant, conditional on the first warrant being exercised. The estimated fair value of the first share of 40,400,000 warrants charged to share premium was £109,223 with no charge to the income statement. No value is ascribed to the further warrant, it being conditional on the first being exercised. Subsequent to the balance sheet date, all the 80,800,000 warrants have expired.

54,278,656 warrants for services provided were granted with an estimated fair value charged to the profit and loss account of £401,730. A further 7,000,000 warrants were granted as part of the convertible loan note (Note 19).

The warrants outstanding at 30 September 2008 had a weighted average exercise price of 2.2 pence and a weighted average remaining contractual life of 3.5 years.

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

	2008	2007
Weighted average share price (pence)	**1.75**	2.6
Weighted average exercise price (pence)	**2.4**	2.5
Expected volatility	**55%**	40%
Risk-free rate	**5%**	5.5%
Weighted average remaining contractual life (years)	**2.67**	3.8

Expected volatility was determined by calculating the historical volatility of the Company's share price using Bloomberg 1 year volatility curve. 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.

Following year end, of the 147,481,135 warrants outstanding at the year end, 84,720,152 have lapsed. The company has granted a further 142,096,667 warrants of which 103,000,000 have been exercised.

24. 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 are disclosed in Note 19.

Currency risk

The Group has four overseas subsidiaries; three 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 of the US dollar against sterling at the balance sheet date on the sterling denominated balances would, all other variables held constant, not result in a significant exchange gain or loss in the year.

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.

Liquidity risk

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

	Group	**Company**	Group	Company
	2008	**2008**	2007	2007
Current	**£'000**	**£'000**	£'000	£'000
British Pounds	**100**	**99**	123	97
US Dollars	**306**	**1**	13	4
Euros	**(1)**	**(1)**	-	-
Total	**405**	**99**	136	101

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 note (Note 19) is due for repayment within 2 years. However, as disclosed in Note 27, following the subscription of 200,000,000 ordinary shares in the Company netting £1,352,500 for the Company before expenses the original loan note was repaid in full.

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.

24 Financial instruments (continued)

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

The Group considers its capital to comprise its ordinary share capital, share premium, retained earnings and the funding provided through loan notes issued as reported in the Group Balance Sheet.

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, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

25. Related party disclosures

The Directors are considered to be Key Management and information in respect of key management is given in note 7.

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

Funding provided to Luton Kennedy Limited	£440,488	(2007: £-)
Inter-group receivable outstanding at year end	£1,470,580	(2007: £1,054,574)
Inter-group payable outstanding at year end	£37,109	(2007: £25,812)
Expenses paid by the parent company on behalf of subsidiaries	£106,491	(2007: £122,040)

26. Contingent Liabilities

Following the Compromise Agreement signed on 16 December 2010 with Avenue (Note 27), the Group has no contingent liabilities.

27. Post balance sheet events

Heletz

On 16th April 2009, TomCo announced it received a notice from Avenue Group Inc. ('Avenue') purporting to terminate the Farmout Agreement entered into on 1st April 2008 between TomCo and its wholly owned Israeli subsidiary, Luton-Kennedy Limited and Avenue and its wholly owned subsidiary, Avenue Energy Israel ('the Agreement') relating to the Heletz-Kokav and the Iris Licence in Southern Israel (Heletz). On 3rd September 2009, TomCo, in accordance with the terms of the Agreement, commenced Arbitration proceedings asserting that the Agreement could not be terminated and that Avenue had failed to comply on numerous occasions with its obligations to TomCo under the Agreement and the related Joint Operating Agreement.

In December 2009 a first addendum to the Agreement ("First Amendment") was entered into under which the following was agreed:

1. Avenue agreed to withdraw its purported termination of the Farmout Agreement. Both parties waived previous breaches of the Farmout Agreement.
2. TomCo agreed that the December 2008 cash call could be reinstated.
3. A number of variations were agreed including a provision that TomCo's financial obligations as expressed in the Farmout Agreement were to be reduced by the $300,000 raised by a preferred stock issue that Avenue made during 2009. The participating interests of TomCo were to be reduced to 45.5% in respect of the Heletz license and 22.75% in respect of the Iris license to reflect the rights accorded to the preferred stock holders.
4. TomCo's financial obligations were subject to the satisfaction of various specified conditions precedent (mainly relating to the provision by Avenue of outstanding information) which it was anticipated would be fulfilled by 15 February 2010.
5. Once the conditions precedent were fulfilled, the parties would 'close' by Avenue formally assigning the license interests and TomCo putting $1.25 million in escrow towards future expenditures.

At the time of the First Addendum, TomCo made an advance towards payment of the reinstated cash call of $200,000.

Post Balance Sheet Events (continued)

A second addendum was entered into on 12 March 2010 ('Second Addendum') and at that time TomCo advanced a further $200,000 repayable if closing of the First Addendum had not occurred within eight calendar weeks.

On 16 December 2010, a Compromise Agreement between TomCo and Avenue was signed under which all Previous Agreements are 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 Licenses, Avenue agrees to issue 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 or such other subsidiary or company associated with or affiliated with Avenue that hold the Licences. 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. As a result, the likely impairment of the carrying value of the investment in Heletz at 31 December 2008 is £913,656 (2007: nil).

Financing

In December 2009, TomCo announced the subscription by Kenglo One Ltd of 200,000,000 ordinary shares in the Company at an average of 0.676p per share to net £1,352,500 for the Company before expenses. As part of this transaction, the convertible loan note issued to Trafalgar Capital Specialized Investment Fund in relation to the completion of the acquisition of Heletz (Note 19) was repaid.

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 subject to certain conditions at anytime, 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 is now defined 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 31 December 2010, the terms of this Agreement were further varied whereby the repayment date applicable of 29 December 2010 is extended to 31 May 2011. 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.

On 31 December 2010, TomCo entered into a further Loan Agreement with Kenglo One Ltd relating to an advance of £1 million repayable on or before 31 May 2011. The terms of the loan provide for payment of amounts due to Red Leaf Resources Inc by 31 December 2010 and for general working capital purposes. The loan attracts an interest rate of 12% per annum and is secured by a first priority charge over the entire issued share capital and stock of The Oil Mining Company Inc 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 31 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.

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, with a further $1,000,000 payment on 31 December 2010 plus interest of $50,981.