

Registered Number : 4316775

Fuelforce Holdings Limited
Annual report
for the year ended 31 December 2006



Fuelforce Holdings Limited

Annual report for the year ended 31 December 2006

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Fuelforce Holdings Limited

Directors and advisers

Directors

N J Walters

I Elliott

Secretary

N J Walters

Independent Auditors

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Bristol, United Kingdom

Registered Office

18 Imperial Walk

Bristol

BS14 9AE

Registered Number

4316775

Directors' report for the year ended 31 December 2006

The directors submit their report and the audited accounts of the Company and Group for the year ended 31 December 2006.

Business review and principal activities

The Company's principal activity during the period was that of a non-trading holding company

The Group's principal activity was the operation of petrol retail outlets. The Group disposed of the majority of its retail outlets in the preceding year. The Group ceased trading having disposed of all its retail sites on 13 January 2006.

The Company's turnover decreased from £308.7m to £1.1m, reflecting the disposal of retail sites during the prior year and the cessation of trade on 13 January 2006. The loss for the year was £2.7m (2005 £0.5m), after including a further £2.7m of early repayment penalties arising on the repayment of bank debt ahead of the scheduled repayment date. The preceding review of the Group's performance during the year is considered adequate by the directors as the Group has now ceased trading.

In view of the fact that the Group ceased trading completely during the year, these financial statements have been prepared on a basis other than that of going concern.

Directors

The directors who held office during the year were

I D MacRitchie

N J Walters

H Garland (resigned 15 March 2006)

I D MacRitchie resigned subsequent to the year-end on 2 April 2007. I Elliott was appointed as a director on 2 April 2007.

Donations

The Company's charitable donations in 2006 were £nil (2005 £nil). The Group's charitable donations totalled £nil (2005 £5,000). The Company made no political donations.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to

Statement of directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's and Group's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's and Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By order of the Board



N J Walters

Company Secretary

2 May 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUELFORCE HOLDINGS LIMITED

We have audited the group and individual company financial statements (the 'financial statements') of Fuelforce Holdings Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and individual balance sheets, the consolidated cash flow statement and the related notes 1 to 19. 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 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is not consistent with the financial statements, 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 other transactions is not disclosed.

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUELFORCE
HOLDINGS LIMITED (CONTINUED)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 December 2006 and of the group's loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985

Emphasis of matter – financial statements prepared on a basis other than that of going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the statement of accounting policies, which explains that the financial statements have been prepared on a basis other than that of a going concern



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Bristol, United Kingdom

6 May 2008

Consolidated profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover		1,072	308,705
Cost of sales		(791)	(303,789)
Gross profit		281	4,916
Administrative expenses		(12)	(3,625)
Operating profit	3	269	1,291
Profit on disposal of tangible fixed assets		117	17,051
Cost of fundamental restructuring	1	-	(3,269)
Profit before interest and taxation		386	15,073
Interest receivable	4	149	487
Interest payable and similar charges	5	(3,275)	(16,015)
Loss on ordinary activities before tax		(2,740)	(455)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after tax	13	(2,740)	(455)

There were no recognised gains or losses other than the loss for the year. Accordingly no statement of total recognised gains and losses is presented.

The Group ceased trading on 13 January 2006. Consequently, the above results relate wholly to discontinued activities.

Consolidated balance sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	7	-	839
Current assets			
Stocks	9	-	275
Debtors	10	75	7,240
Cash at bank and in hand		931	11,077
		1,006	18,592
Creditors: amounts falling due within one year	11	(10,237)	(25,922)
Net current liabilities		(9,231)	(7,330)
Total assets less current liabilities		(9,231)	(6,491)
Net liabilities		(9,231)	(6,491)
Capital and reserves			
Called up share capital	12	1	1
Share premium account		100	100
Profit and loss account	13	(9,332)	(6,592)
Shareholders' deficit	14	(9,231)	(6,491)

The financial statements on pages 6 to 21 were approved by the board of directors on 2 May 2008 and were signed on its behalf by



N J Walters
Director

Company balance sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	8	-	-
Net assets			
Capital and reserves			
Called up share capital	12	1	1
Share premium account		100	100
Profit and loss account	13	(101)	(101)
Shareholders' funds		-	-

The financial statements on pages 6 to 21 were approved by the board of directors on 2 May 2008 and were signed on its behalf by



N J Walters
Director

Consolidated cash flow statement for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
<hr/>			
Net cash outflow from operating activities	15	(376)	(20,056)
 Returns on investment and servicing of finance			
Interest paid		(2,728)	(5,584)
Interest received		149	487
Net cash outflow from returns on investment and servicing of finance		(2,579)	(5,097)
 Capital expenditure			
Payments to acquire tangible fixed assets		-	(229)
Receipts from disposal of tangible fixed assets		1,941	85,114
Net cash inflow from capital expenditure		1,941	84,885
<hr/>			
Net cash (outflow) / inflow before financing		(1,014)	59,732
 Financing			
Loan repayments		(9,132)	(43,570)
Repayment of capital element of finance leases		-	(220)
Net cash outflow from financing		(9,132)	(43,790)
(Decrease) / increase in cash in the year	17	(10,146)	15,942

Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. As explained in the directors' report and the profit and loss account, the Group ceased trading after the year end on 13 January 2006. As required by FRS 18, Accounting Policies, the directors have prepared the financial statements on the basis that the Group is no longer a going concern. Assets have been stated at the lower of cost and net realisable value and long-term liabilities have been reclassified as short-term. No provision has been made for future losses other than those committed at the balance sheet date. The principal accounting policies are set out below.

Consolidation

The Group accounts consolidate the financial statements of the Company and all its subsidiary undertakings. The acquisition method of accounting has been applied for all subsidiary undertakings. Under section 230 of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the Company's ordinary activities, stated net of value added tax. Turnover was derived entirely from forecourt retailing in the United Kingdom. Revenue is recognised when the risks and rewards of ownership have passed to the customer, which for fuel and shop sales is when the customer takes physical custody of the goods.

Depreciation

Depreciation is provided on all tangible fixed assets (except freehold land) to write off the cost of those assets, less their residual values, over their estimated useful lives as follows:

Freehold buildings	50 years
Long leasehold land and buildings	50 years
Short leasehold land and buildings	over life of lease
Plant and equipment	3 to 20 years

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value, due allowance being made for obsolete or slow moving items.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full at the anticipated tax rates on timing differences arising from the different treatment of items for accounting and taxation purposes. No provision is made for deferred tax on investment revaluations. A deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The Company has elected not to discount the deferred tax assets and liabilities.

Leasing

Costs in respect of operating leases are charged on a straight line basis over the period of the lease

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of the capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that the assets are depreciated over their useful lives.

Pensions

The Group contributed to employees' personal pension plans. The assets of the plans were held separately to those of the Company in separately administered funds. Payments to such pension plans by the Company are charged as an expense as they fall due.

Finance costs

Finance costs of debt are recognised in the profit and loss account at a constant rate of charge on the carrying amount of the debt.

Financial instruments

The Group has adopted the requirements of FRS25 concerning the presentation and disclosure of financial instruments.

Notes to the financial statements for the year ended 31 December 2006

1. Costs of fundamental restructuring

The costs of fundamental restructuring of £nil (2005 £3,269,000) represented the costs incurred in terminating the Group's operations. The costs incurred in 2005 comprised £953,000 of severance and redundancy costs, £903,000 of legal and professional costs, £473,000 of contract termination costs and £940,000 of other closure costs.

The effect of these costs on the tax charge for each period was a credit of £nil (2005 £666,000).

2 Employees and directors

	Group	Group
	2006	2005
	£'000	£'000
Staff costs		
Wages and salaries	-	9,916
Social security costs	-	787
Other pension costs	-	128
	-	10,831

The average monthly number of employees (including executive directors) was as follows:

	2006	2005
	Number	Number
Average monthly number of employees		
Management and administrative	-	50
Operations	5	840
	5	890

The staff costs in respect of 2006 were accrued in 2005 as part of the accrual for committed closure costs.

2 Employees and directors (continued)

	2006	2005
	£'000	£'000
Directors' remuneration comprises		
Emoluments (including pension contributions)	74	629
Emoluments (including pension contributions) of the highest paid director	71	354

Directors' emoluments includes £67,000 (2005 £250,000) of compensation for loss of office

The directors' emoluments for 2006 were charged to the profit and loss account in 2005 as part of the expected costs of closure of the business

3 Operating profit

	2006	2005
	£'000	£'000
Operating profit is stated after charging/(crediting)		
Depreciation		
- owned assets	-	2,175
- leased assets	-	265
Rentals under operating leases		
- land and buildings	-	743
- other	-	518
Auditors' remuneration		
- audit services	6	25
- non-audit services being taxation services	-	75

4 Interest receivable

	2006	2005
	£'000	£'000
Bank interest receivable	149	487

5 Interest payable and similar charges

	2006	2005
	£'000	£'000
Guarantee fees	-	547
Interest on bank loans and overdrafts	-	2,154
Interest on loan stock	563	2,190
Finance lease charges	-	10
Amortisation of loan finance costs	-	2,046
Accrued premium on 100% premium loan note 31 December 2008	-	2,408
Penalty interest on early repayment of loan stock (note 11)	2,712	6,334
Cost of termination of interest rate swap	-	326
	3,275	16,015

The Group utilised interest rate swaps to manage interest rate risk arising from its loan borrowings. These derivative contracts were terminated during 2005 by the Group making a cash payment equal to their fair value at the date of termination of £326,000. This cost has been charged to interest payable in the 2005 accounts.

The remaining balance of unamortised loan finance costs was written off during 2005 as the Group repaid the amounts owing under the related loan instruments.

The balance of the premium on the 100% premium loan note was accrued during the year as this instrument was repaid in full before 31 December 2006.

6 Taxation

There was no current or deferred tax charge in either year. The profits arising on the disposal of property during the year and the preceding year did not give rise to a tax charge due to the availability of trading losses from previous periods and a balancing allowance arising in the subsequent final period up to the cessation of trade.

The tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

Tax reconciliation	2006	2005
	%	%
Standard UK corporation tax rate	30	30
Utilisation of losses	(30)	(30)
Effective tax rate on profit on ordinary activities before tax	-	-

The forthcoming reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge.

7 Tangible fixed assets

Group	Freehold land and buildings
	£'000
Cost	
At 1 January 2006	1,853
Disposals	(1,853)
At 31 December 2006	-
Depreciation	
At 1 January 2006	1,014
Disposals	(1,014)
At 31 December 2006	-
Net book value	
At 31 December 2006	-
At 1 January 2006	839

The cost of freehold land not depreciated is £nil (2005 £272,000)

8 Fixed asset investments

	Company 2006 £'000	Company 2005 £'000
Cost		
At beginning and end of the year	101	101
Provision for impairment		
At beginning and end of the year	(101)	(101)
Net book value		
At beginning and end of the year	-	-

The principal subsidiary of the Company is Fuelforce Limited, a Company registered in England and Wales and engaged in the operation of petrol retail outlets. The Company owns 100% of the ordinary share capital of Fuelforce Limited. Fuelforce Limited ceased trading on 13 January 2006.

The Company's investments in its subsidiary undertakings have been written down to their expected recoverable amount of £nil as the Group's activities have ceased and the subsidiaries have net liabilities.

9 Stocks

	Group 2006 £'000	Group 2005 £'000
Goods for resale	-	275

10 Debtors

	Group 2006 £'000	Group 2005 £'000
Amounts falling within one year		
Trade debtors	-	1,645
Other debtors	75	5,595
	75	7,240

11 Creditors

	Group 2006 £'000	Group 2005 £'000
Amounts falling due within one year		
Trade creditors	-	4,273
Other taxation and social security	-	6
Other creditors	-	8
Accruals and deferred income	10,237	12,503
Loan stock	-	9,132
	10,237	25,922

	Group 2006 £'000	Group 2005 £'000
Analysis of loans		
Wholly repayable within 5 years		
£10,000,000 loan notes repayable on 31 December 2008	-	6,132
£7,000,000 loan notes repayable on 3 December 2006	-	3,000
	-	9,132

As a result of the principal repayments made against the loan notes the Company has incurred a total liability of £9,046,000 (2005 £6,334,000), representing penalty interest on early repayment payable to the holder of the loan stock, Royal Bank of Scotland plc. This liability is included within accruals and deferred income.

The maturity of loans was as follows

	2006 £'000	2005 £'000
Due within one year	-	9,132

12 Share capital

	2006	2005
	£	£
Authorised		
32,200 "A" ordinary shares of 1p each	322	322
82,800 "B" ordinary shares of 1p each	828	828
	1,150	1,150
	2006	2005
	£	£
Allotted, called-up and fully paid		
25,000 "A" ordinary shares of 1p each	250	250
75,000 "B" ordinary shares of 1p each	750	750
	1,000	1,000

The "A" ordinary shares carry in aggregate 75% of the voting rights and the "B" ordinary shares carry in aggregate 25%. In the event of a default on the Group's borrowing arrangements, and they elect so to do, the "B" ordinary shares may assume 67% of the voting rights. The "A" and "B" ordinary shares carry equal rights to income and capital.

Warrants have been issued to the Royal Bank of Scotland plc conferring the right to subscribe, in the event of the sale or listing of the Company's shares, for up to 4,592 "B" ordinary shares at par. If the warrants are exercised, an equivalent number of existing issued "B" ordinary shares would be converted into deferred shares. Deferred shares (of which there were none in issue at 31 December 2006) carry no voting rights and effectively no rights to income or capital.

13 Profit and loss account

	Group
	£'000
Balance at 1 January 2006	(6,592)
Loss for the year	(2,740)
Balance at 31 December 2006	(9,332)

13 Profit and loss account (continued)

	Company
	£'000
Balance at 1 January 2006	(101)
Loss for the year	-
Balance at 31 December 2006	(101)

14 Reconciliation of movements in shareholders' deficit

	Group	Group
	2006	2005
	£'000	£'000
Loss on ordinary activities after tax	(2,740)	(455)
Opening shareholders' deficit	(6,491)	(6,036)
Closing shareholders' deficit	(9,231)	(6,491)

15 Reconciliation of operating profit to net cash flow from operating activities

	Group 2006 £'000	Group 2005 £'000
Operating profit	269	1,291
Depreciation	-	2,440
Costs of fundamental restructuring	-	(3,269)
Decrease in stocks	275	8,047
Decrease / (increase) in debtors	4,345	(1,671)
Decrease in creditors	(5,265)	(26,894)
Net cash outflow from operating activities	(376)	(20,056)

16 Analysis of changes in net funds

Group	At 31 December 2005 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 2006 £'000
Cash at bank	11,077	(10,146)	-	931
Debt due within one year	(9,132)	9,132	-	-
Net funds	1,945	(1,014)	-	931

17 Reconciliation of net cash flow to movement in net funds

	Group 2006 £'000	Group 2005 £'000
(Decrease) / increase in cash in the period	(10,146)	15,942
Repayments of capital element of finance leases	-	220
Repayments of loans and loan stock	9,132	43,570
Changes in net debt resulting from cash flow	(1,014)	59,732
Amortisation of loan finance costs	-	(2,046)
Premium on 100% premium loan note	-	(2,408)
Movement in net debt in the year	(1,014)	55,278
Net funds/(debt) at the start of the year	1,945	(53,333)
Net funds at the end of the year	931	1,945

18 Related party transactions

The Group incurred professional fees totalling £nil (2005 £1,696,000) for services provided by MCR Holdings, a partnership of which two directors of the Company, I D MacRitchie and N J Walters, were partners. Of this amount, £nil (2005 £1,301,000) related to the disposal of the Group's property portfolio and was deducted from the profit on disposal of fixed assets. £nil (2005 £247,000) related to the closure of the Group's business operations and has been included in the costs of fundamental restructuring and £nil (2005 £148,000) related to the ongoing management of the business and is included within administrative expenses.

The interest receivable disclosed in note 4 was all receivable from The Royal Bank of Scotland plc, the Group's ultimate controlling party. The interest payable disclosed in note 5, with the exception of interest charged on finance leases, was all payable to The Royal Bank of Scotland plc, the Group's ultimate controlling party.

The Company has taken advantage of the exemption under paragraph 3 of Financial Reporting Standard No 8 from disclosure of transactions with group undertakings.

19 Parent company and controlling party

The directors consider that the ultimate controlling party of the Company and Group is Royal Bank of Scotland plc.