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1816510



Directors and Advisers

Directors

The Rt Hon the Lord Owen of the City of Plymouth CH – *Chairman*

A B Usmanov – *Vice Chairman*

A F Moshiri FCCA – *Chief Executive*

I Falconer CA (SA) – *Finance Director*

D L Woods – *Executive Director*

J G West FCA – *Non-Executive Director*

Lord Chandos – *Non-Executive Director*

D C Port FCMA – *Non-Executive Director*

Secretary and registered office

J P Gorman FCA

Fifth Floor

100 Avenue Road

London NW3 3HF

Auditors

MRI Moores Rowland LLP

3 Sheldon Square

Paddington

London W2 6PS

Solicitors

Nicholson Graham & Jones

110 Cannon Street

London EC4N 6AR

Watson, Farley & Williams

15 Appold Street

London EC2A 2HB

Stockbrokers

Hichens Harrison & Co. plc

Bell Court House

11 Blomfield Street

London EC2M 1LB

Registrars

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Company Number 1816510



Chairman's Statement

Over the last twelve months Global Natural Energy has positioned itself to become a highly focused gas distribution company. At the last AGM on 28 May 2003, I announced that the Company was in the late stages of detailed discussions to play a key role in UK gas distribution.

In our Interim Report published on 19 September 2003, we confirmed that GNE had secured a 19.9% interest in a new UK gas distribution group consisting of Quantum Energy Group Ltd, Fortum Energy Plus Ltd and Saracen Gas Ltd. This group is now called Corona Energy Ltd (Corona).

As previously announced, GNE has negotiated two options with the objective of increasing its stake in Corona.

The first option will allow GNE to purchase Troika Dialog's, a Russian securities trading and investment banking group, further holding of 40.1% in Corona. The Company will exercise this option when it is in the best interests of our shareholders. The cost will be £4 million plus interest at 8% per annum.

The second option is exercisable from the spring of 2008 over Baring Private Equity fund's 40% holding in Corona. The cost will be five times EBITDA of Corona in 2007.

The proceeds of the sale of our steel assets in 2002 is providing £3 million temporary financial support to Corona.

GNE has a controlling 50% interest in Petrol Express, which has a substantial freehold petrol station property portfolio currently valued at £26.2 million, which provides security for long term bank finance. It is the intention of the board to give full support to the management of Petrol Express to build-up the asset value of this company. Profit margins remain tight in petrol retailing but the company represents a growing property investment operation.

The board is concentrating its remaining metal businesses in Europe Steel plc of which it owns 39.3%. Europe Steel is now trading profitably and has prospects for future expansion. It is still GNE's intention to sell its holding in Afon Tinplate Company Ltd.

Shareholders will recall that the Group's loss for the first half of 2003 amounted to £927,000 but the second half has produced a moderate profit. Full details are provided on the statements following this.

As a result of this more focused activity and allocation of overheads, GNE expects to make further improvement in the current financial year.


Lord Owen

Chairman

27 April 2004



Chief Executive's Review

The year ended 31 December 2003 is the first accounting period for the Group as an energy company with investments in a chain of petrol stations, fuel card business and a minority investment in a gas supply business. The Group continues to own minority interests in two metal businesses, Europe Steel plc and Afon Tinplate Company Limited. The corporate finance work continues in Russia and in the year under review £100,000 has been invoiced and collected. Turnover in 2003 increased by 44% to £135.9 million (2002 – £94.3 million). The Group's loss for the financial year was £893,000 (2002 – profit – £171,000). Losses per share were 8.1p (2002 – earnings per share – 1.6p). In line with previous policy, no dividend is proposed.

Conclusion

I would like to take this opportunity to thank the other Directors and the Group's staff for their contribution to the operations through this year.



Farhad Moshiri

Chief Executive

27 April 2004



Directors' Report

The Directors have pleasure in presenting their report on the affairs of the Group, together with the audited financial statements, for the year ended 31 December 2003.

Principal activities and business review

The principal activity of the Group during the year under review was the owning and operating of petrol stations, fuel card businesses and minority interests in a gas supply business and steel and tinplate trading operations.

Further details of the business and future developments are given in the Chairman's Statement and Chief Executive's Review on pages 3 and 4, respectively.

Results and dividend

The consolidated loss after taxation and minority interest for the year amounted to £893,000 (2002 – profit – £171,000). The Directors do not recommend the payment of a dividend.

Issue of shares and warrants

On 30 June 2003 the Company issued warrants over 270,134 new ordinary shares of 25p each to Sempra Energy Europe Limited ("Sempra"), exercisable at 350p per new ordinary share in the period ending 29 June 2005 or on the expiry of the agreement with Sempra to supply gas to Corona, if earlier.

On 2 July 2003 the Company issued 538,874 new ordinary shares of 25p each at a price of 260p per share to Rodava Management Limited.

Annual General Meeting

Resolutions will be proposed at the Annual General Meeting as set out in the formal notice on pages 54 and 55. The following explanatory notes relate to Resolution 1, and Resolutions numbered 6, 7 and 8, which will constitute Special Business:

- (i) Resolution 1, which is proposed as an Ordinary Resolution, is to approve the Directors' Remuneration Report for the year ended 31 December 2003, which is set out on pages 13 to 16. This Resolution is proposed in accordance with the requirements of Section 241A of the Companies Act 1985.
- (ii) Resolution 6 – The Directors currently have a general authority to allot unissued shares of the Company, but this expires on the conclusion of the Annual General Meeting. Resolution 6 is proposed as an Ordinary Resolution to provide the Directors with authority to issue ordinary shares up to an aggregate nominal value of £912,500. This authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date falling fifteen months from the date of passing of this Resolution. Other than fulfilling the Company's obligations under its Executive Share Option Scheme, the Directors have no present intention of exercising this authority, which represents 32.2% of the present issued share capital.
- (iii) Resolution 7 is to renew the Directors' authority to allot relevant securities up to a nominal value of £141,750 representing 5.0% of the nominal value of the Company's issued share capital. This will provide the Directors with the authority to issue ordinary shares of 25p for cash when the Board considers it to be in the best interests of shareholders, such authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date falling fifteen months from the date of passing of this Resolution.



Annual General Meeting *continued*

- (iv) Resolution 8 – The Company's Articles of Association permit the purchase of the Company's own shares subject to obtaining shareholders' approval. The Directors consider that there may be circumstances in which it would be desirable for the Company to purchase its own shares in the market. For example, in certain circumstances, the price in the market may represent a substantial discount to what the Directors consider to be a fair reflection of the Company's value. Purchases would only be made if their effect would be expected to improve earnings per share and the Directors consider such purchases to be in the best interests of the Company.

Accordingly, the Directors propose to seek a general authority at the forthcoming Annual General Meeting to purchase relevant securities in the market up to a nominal value of £141,750 representing up to 5.0% of the Company's issued ordinary share capital at or between the minimum and maximum prices specified in the Resolution. Any shares purchased under this authority would be cancelled and the number of shares in issue would be reduced accordingly. If granted, the authority will expire fifteen months from the date of the Resolution or at the date of the next Annual General Meeting, whichever is earlier, when the Directors anticipate seeking its renewal.

This Resolution represents the renewal of a similar Resolution approved at the 2003 Annual General Meeting, since when no ordinary shares have been purchased by the Company.

Directors

The Directors of the Company, who served throughout the year except where otherwise shown, are as follows:

The Rt Hon the Lord Owen of the City of Plymouth CH – *Chairman*

A B Usmanov – *Vice Chairman* (appointed 31 January 2003)

A F Moshiri FCCA – *Chief Executive*

I Falconer CA (SA) – *Finance Director*

D L Woods – *Executive Director*

J G West FCA – *Non-Executive Director*

Lord Chandos – *Non-Executive Director*

D C Port FCMA – *Non-Executive Director*

In accordance with the Company's Articles of Association, the following Directors retire and, being eligible, offer themselves for re-election:

A F Moshiri has a Contract of Employment, which is terminable on twelve months' notice.

J G West is appointed on a fixed term to expire at the Annual General Meeting to be held in 2005.



Details of the Executive Directors are as follows:

Lord Owen, aged 65, Chairman, is a former Foreign Secretary and is the Chairman of the Company. He is also chairman of Yukos International UK B.V. and a non-executive director of Abbott Laboratories Inc.

Alisher Usmanov, aged 50, the Vice Chairman has been executive vice president of the Company since 1997. He is chief executive of OOO Gazprominvestholding, a wholly owned subsidiary of OAO Gazprom, the Russian gas utility. He holds a BSc in International Law from Moscow State Institute of International Relations and a degree in banking from the Financial Academy of the Russian Federation.

Farhad Moshiri, aged 48, the Chief Executive of the Company. He is a qualified Chartered Certified Accountant, having previously been employed by Deloitte & Touche, Chartered Accountants and joined the Company in 1993. He was appointed Chief Executive in June 1998.

Ian Falconer, aged 46, Finance Director, was formerly with Deloitte & Touche, Chartered Accountants. He qualified as a Chartered Accountant in South Africa in 1986 and joined the Company in 1996, where he was appointed Finance Director in June 1997.

Dennis Woods, aged 50, an Executive Director and chief executive of Petrol Express Limited, has a career of 30 years in the energy industry. He was chairman and chief executive of his family company, British Benzol plc, which was founded in 1972 as Pronto Heating Oil, until he disposed of his interest in that company in February 2003.

Non-Executive Directors

Jimmy West, aged 57, senior Non-Executive Director, was formerly a managing director of Lazard Brothers and Co Ltd and prior to that was managing director of Globe Investment Trust plc. He is currently non-executive chairman or director of a number of public and private companies.

Lord Chandos, aged 51, Non-Executive Director, formerly an executive director of Kleinwort Benson Limited, is currently chief executive of Northbridge Ventures Limited. He is also chairman of Capital & Regional plc and a director of a number of private companies.

David Port, aged 56, is a Non-Executive Director and non-executive chairman of Petrol Express Limited with nearly twenty years' experience in the energy sector. He was formerly chairman and chief executive officer of British Fuels Limited, a major distributor of coal, oil and gas throughout the United Kingdom and Northern Ireland and chairman of Sylvan International Limited, a timber manufacturing and trading business. Currently he is non-executive chairman of Ath Resources Plc an opencast coal mining business.



Directors' interests

The beneficial interests of the Directors at 31 December 2003 in the shares of the Company were as follows:

	31 December 2003 Ordinary shares of 25p each	1 January 2003 (or date of appointment) Ordinary shares of 25p each
Lord Owen	84,483	75,833
A B Usmanov – Note 1	772,207	233,333
A F Moshiri – Note 2	206,151	198,401
I Falconer	1,166	1,166
D L Woods	5,000	–
J G West – Note 3	24,866	24,866
Lord Chandos	20,000	20,000
D C Port	–	–

Note 1 233,333 of the shares disclosed under A B Usmanov are held by Pershing Keen Nominees Limited as a nominee company for his benefit and the balance of 538,874 shares are held by Rodava Management Limited, a company which he controls.

Note 2 186,666 of the shares disclosed under A F Moshiri are held beneficially by Bankhill Trustees Limited as trustees of the Caspian Settlement, a trust for the benefit of his children.

Note 3 10,000 of the shares disclosed under J G West are held by his wife.

There have been no changes in Directors' interests in the ordinary share capital of the Company since 31 December 2003.

Share options

The options over ordinary shares outstanding at 31 December 2003 under the Executive Share Option Scheme are disclosed in the Directors' Remuneration Report on page 16 and in note 21 to the financial statements.

Transactions with Directors

Details of contracts with related parties are set out in note 31 to the financial statements.

Environmental matters

The Group undertakes a review of environmental matters prior to proceeding with an investment in a new operation. Once the investment is made, the environmental implications are monitored on a regular basis and where necessary improvements are proposed.

Donations

During the year the Group made charitable donations of £nil (2002 – £nil).

Employees

The Group's policy is to give full and fair consideration to the recruitment of disabled persons having regard to their particular aptitudes and abilities. Appropriate training will be arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

The Group's personnel policies ensure that all its employees are made aware on a regular basis of the Group's policies, programmes and progress and that they are consulted on a regular basis on decisions taken which are likely to affect their interests. The Group encourages the involvement of employees in the Group's performance through an Executive Share Option Scheme.



Creditor payment policy

The Group's policy is normally to pay trade creditors according to agreed terms of business. These terms are usually agreed with the trade creditors before they provide the goods or services. The Group's policy is to adhere to the payment terms providing the relevant goods or services have been supplied in accordance with the agreements. The Group's creditor days in 2003 were sixteen days (2002 – twenty days). The Company had no trade creditors at the year end (2002 – none).

Substantial shareholdings

On 26 April 2004 the Company was aware of the following interests in 3% or more of the Company's ordinary share capital:

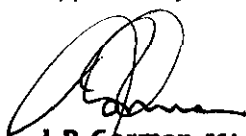
	Number of ordinary shares	%
Michael Vaiman	2,442,676	21.5
A B Usmanov	772,207	6.8
Bankhill Trustees Limited	653,333	5.8
Sir David Alliance	527,165	4.6

The shareholding of Bankhill Trustees Limited includes the beneficial interest of A F Moshiri in 186,666 ordinary shares, included in the Notes to Directors' Interests above, and 466,667 ordinary shares held as Trustees of the Whitland Employee Trust, a discretionary trust for the benefit of A A Ugarov, a former Director, and other Russian based individuals, none of whom is employed by or otherwise connected with the Company.

Auditors

Ernst & Young LLP resigned as auditors on 13 February 2004 as a result of a subsidiary company of the Company threatening litigation against them. They have written to the Company expressing their opinion that this may create a self-interest threat to their objectivity and their ability to report fairly and impartially on the Group's accounts for which they cannot see any alternative safeguard. They have also confirmed that there are no circumstances which they consider should be brought to the attention of members or creditors of the Company. MRI Moores Rowland LLP were appointed auditors on 25 February 2004 and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.


J P Gorman FCA
Company Secretary

Fifth Floor
100 Avenue Road
London NW3 3HF

27 April 2004



Corporate Governance

Corporate governance

There is a commitment to high standards of corporate governance throughout the Group. The Board is accountable to the Company's shareholders for good governance and the statements set out below describe how the principles identified in the former Combined Code are applied by the Group.

The Directors intend that the Company and the Group will comply with the revised Combined Code on Corporate Governance which applies to reporting year beginning on or after 1 November 2003, and will develop procedures which will ensure that, where the Board considers it appropriate, the relevant requirements are met.

Directors

The Company is controlled through the Board of Directors, which during the year ended 31 December 2003 comprised of five Executive Directors, and three Non-Executive Directors all of whom are considered by the Board to be independent. J G West is the senior independent Non-Executive Director. The biographies of all the Directors are set out on page 7. The Chairman is primarily responsible for the efficient working of the Board. He ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive is responsible for the implementation of the strategy and policy set by the Board and the day-to-day management of the business.

During the past year the Board has met formally on seven occasions and at other times as required. The Board has a formal schedule of matters, which are specifically reserved for its decision. The Board is responsible for inter alia, overall Group strategy, acquisitions, disposals and capital expenditure; statutory matters; approval of financial statements; appointments and terminations of Directors, officers and auditors; appointment of committees and setting of terms of reference; review and approval of Group performance against budgets; approving risk management strategy and material contracts; and determining of authority levels within which management is required to operate.

The Board of Directors has agreed that, if necessary, a Director may in the furtherance of his duties seek independent professional advice at the Company's expense. Directors also have access to the advice and services of the Company Secretary. All Directors are subject to election by the shareholders at the first Annual General Meeting after their appointment. Although not formally required in accordance with the Articles of Association, the Board has resolved that all Directors will be subject to re-election by rotation at least every three years. Except for the contract of service for D L Woods, which is for an initial fixed term of two years commencing on 9 August 2002 to enable the integration of Petrol Express Limited into the Group, none of the other Executive Directors has a contract of service of more than twelve months' duration.

The Board has established three standing committees – the Audit Committee, Remuneration Committee and Nominations Committee. The Committees operate within separate defined terms of reference.

Meetings with Non-Executive Directors

The Chairman holds meetings as required with the Non-Executive Directors without the Executive Directors being present.

Board performance evaluation

In accordance with the requirements of the revised Combined Code, the Board intends to undertake during 2004 a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. The 2004 Annual Report, to be published in 2005, will state how this performance evaluation has been conducted.



Directors' Remuneration

The Remuneration Committee comprises the senior independent Non-Executive Director, J G West (Chairman), Lord Chandos and D C Port. The Committee meets at least twice a year to consider and determine the remuneration, whether by way of salary or otherwise, of the Executive Directors. The Chief Executive attends the meetings of the Committee to discuss the performance of other Executive Directors and makes proposals as necessary, but he is not present when his own remuneration is being considered. The Committee has access to professional advice from inside and outside the Company.

The Report of the Board to the shareholders on Directors' Remuneration is set out on pages 13 to 16 and includes details of the Directors' service contracts.

Relations with Shareholders

There is regular dialogue with institutional and individual shareholders. The Company responds promptly to inquiries received orally or in writing from individual shareholders on a variety of topics. All shareholders are normally given at least twenty working days' notice of the Annual General Meeting at which the Chairman of the Company, and the Chairman of the Audit, Remuneration and Nominations Committees are available for questions.

Accountability and Audit

Detailed reviews of the performance and financial position of the Group are included in the Chairman's Statement and Chief Executive's Review on pages 3 and 4, respectively. The Directors' responsibilities for the financial statements are described on page 17.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and the system can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period from 1 January 2003 up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and accords with the internal control guidance for directors forming part of the Combined Code. As part of the year end process the Board has reviewed the Group's system of internal control for the financial year.

The Board has considered the risks to the Group and the principal features of the Group's system of internal control are as follows:

An established management structure comprising the Board, with its committees, and senior managers.

As might be expected in a Group of this size, which is highly entrepreneurial, a key control procedure is the day-to-day involvement of the Chairman, Chief Executive, Finance Director and other Executive Directors.

The Board reviews quarterly financial and management information for the Group and each of the operating companies and receives regular reports from the Chief Executive and other Executive Directors. It also undertakes, inter alia, a detailed review of major transactions and approves new investments.

The vast majority of the Group's customers pay in cash or by credit card. Credit insurance is used to mitigate the risk of irrecoverability of the major portion of trade debtors.

Although the Group does not currently have an internal audit function, the Board reviews the need for this additional control on a regular basis, taking into account the size of the Group and the nature of its operations.



Audit Committee

The Audit Committee comprises solely Non-Executive Directors. The senior independent Non-Executive Director, J G West, is the Committee Chairman, and serves with Lord Chandos and D C Port. The Committee meets at least twice a year. At the invitation of the Committee Chairman, the external auditors, Chairman, Chief Executive, Finance Director and other Executive Directors attend the meetings. The Committee oversees the monitoring of the Group's internal controls, accounting policies and financial reporting and other matters as may be required by the Board.

Following the introduction of the revised Combined Code, the Terms of Reference of the Committee will be expanded and will be published on the Company's web-site.

Nominations Committee

The Nominations Committee comprises solely Non-Executive Directors. The senior independent Non-Executive Director, J G West, is Committee Chairman and serves with Lord Chandos and D C Port. This Committee discusses and agrees any proposed nomination, which is then put forward for approval by the Board.

Going concern

The Directors, having made appropriate enquiries, are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

Compliance Statement

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. Save for the limited exceptions outlined below, the Company has complied throughout the accounting period ended 31 December 2003 with the provisions as set out in Section 1 of the former Combined Code on Corporate Governance issued by the UK Listing Authority.

A.1.6 No formal training is provided to Directors on the first occasion that they are appointed to the Board. Discussions are held between the new Director and the Company Secretary during which the new Director is provided with written documentation concerning his or her responsibilities as a director of a listed company. On the appointment of any future Directors, if the Company considers it necessary to provide the new Director with formal training, appropriate arrangements will be made.

A.6.2 Although not formally required in accordance with the Articles of Association, the Board has resolved that all Directors will be subject to re-election by rotation every three years. All Directors are subject to election by the shareholders at the first Annual General Meeting after their appointment.

Approved by the Board of Directors and signed on behalf of the Board.

J P Gorman for
Company Secretary

27 April 2004



Directors' Remuneration Report

Consideration of matters relating to Directors' remuneration

The remuneration policy is set by the Board and is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. Directors who were members of the Remuneration Committee throughout the year ended 31 December 2003 were J G West (Committee Chairman), Lord Chandos and D C Port.

The Remuneration Committee has access to independent advice where it considers it appropriate. No external advice was taken during the year.

Consideration of matters relating to Directors' remuneration

The Company's policy is to remunerate the Executive Directors and management fairly in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel. The measurement of their performance and the determination of the annual remuneration package of Executive Directors is undertaken by the Remuneration Committee. The main elements of the remuneration package are basic salary, bonus payment, benefits, pension contributions and share option incentives.

The service agreement for each Executive Director comprises basic remuneration and in certain instances participation in pension arrangements, together with a component for bonus payments and share options. Bonus payments are awarded on a discretionary basis, and are determined by the Remuneration Committee in respect of performance. In addition, D L Woods has a contractual right to receive £50,000 per annum as a bonus.

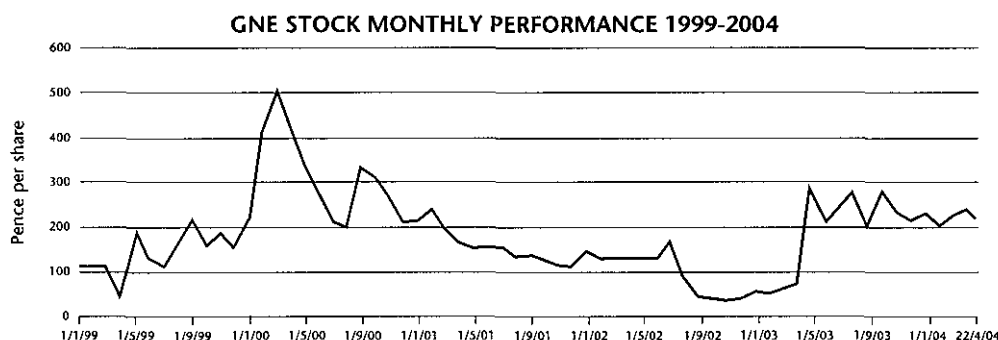
The Committee believes that performance related remuneration is an essential motivation to management and staff, and policy is to ensure that a material proportion of each Executive Director's overall remuneration is performance based.

The remuneration of Non-Executive Directors is determined by the Board, and details are set out below. No Director plays a part in any discussions about his own remuneration.

In respect of share options, the Committee believes that a key element of remuneration strategy should be the grant of share options through the Executive Share Option Scheme in order to align more closely the Executive Directors' interests with those of shareholders.

Total shareholder return

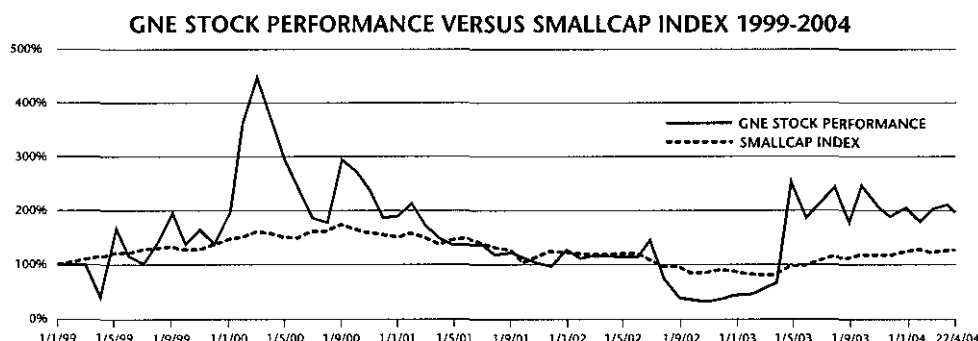
The following graph charts the total cumulative shareholder return of the Company since 1 January 1999.



Rebased to 100 for 1 on 1 January 1999, to take account of the consolidation of ordinary shares which took place on 12 August 2002.



Total shareholder return *continued*



The index selected was the FTSE smallcap Index as it was considered to be the closest comparison considering the Company's listing on the London Stock Exchange and the size of its market capitalisation.

Service contracts

The Company has service contracts with its Directors. Except in exceptional circumstances it is Company policy that such contracts contain notice periods of not more than twelve months. The service contract of D L Woods is for an initial fixed term of twenty four months expiring on 9 August 2004 with automatic renewal on a further twelve months rolling basis to enable the integration of Petrol Express Limited into the Group.

The service contracts also provide that the Directors are entitled to participate in the share option arrangements operated by the Company, and in certain instances are entitled to pension contributions (annual Company pension contributions are set out in the table on page 16).

Other benefits in certain instances include private medical insurance and the provision of either a Company car or a monthly car allowance (the rental value of the Company car or monthly car allowance are included in the table below under annual benefits).

Details of the contracts currently in place for Directors are as follows:

	Audited Annual salary £000	Audited Annual benefits* £000	Audited Annual bonus £000	Date of contract	Unexpired term	Notice period	Provision for compensation
Lord Owen	100	1	–	30 October 2003	–	12 months	–
A B Usmanov	100	–	–	31 October 2003	–	12 months	–
A F Moshiri	175	15	–	12 May 1998	–	12 months	–
I Falconer	102	7	–	12 May 1998	–	12 months	–
D L Woods	170	12	50#	9 August 2002	3 months thereafter	12 months	–

* Annual benefits consist primarily of Company car, car allowance and healthcare. If a Director elects to receive a car allowance in lieu of a Company car it is classified as annual benefits.

Annual bonus has no performance criteria.

Subject to the notice requirements described above, there is no provision in the service agreements for compensation to be payable on early termination of the contract.

Non-Executive Directors

Non-Executive Directors are appointed for fixed terms, normally for three years. The terms of appointment of the Non-Executive Directors are typically through a selection process to identify candidates who can bring to the Group the desired competence and skills.



The Board has identified several key competencies to complement the existing skill-set of the Executive Directors, as follows:

- Experience of the UK Energy sector;
- Public company and corporate governance experience; and
- Commercial skills to complement those of the Executive Directors.

The Company's policy is to ensure that Non-Executive Directors are appointed to the Board who are able to provide these key competencies.

	Audited Annual fee £000	Term of appointment	Expires
J G West	30	3 years	2004 AGM#
Lord Chandos	25	3 years	2006 AGM
D C Port	50*	3 years	2006 AGM

* D C Port's salary, as disclosed above, includes £22,833 per annum for acting as non-executive chairman of Petrol Express Limited, a subsidiary of the Company. In addition he received £9,167 fees for acting as a non-executive director of Global Natural Gas Limited, an associated undertaking. This figure is excluded from the annual fee disclosed above.

To be renewed for a further period until 2005 AGM.

Individual aspects of remuneration – audited

Details of individual emoluments and compensation

The emoluments in respect of qualifying services and compensation of each person who served as a Director during the year were as follows:

	Salary and fees £000	Bonus £000	Pension contributions £000	Benefits in kind £000	Total year ended 31 December 2003 £000	Total year ended 31 December 2002 £000
Lord Owen	98	–	38	1	137	135
A B Usmanov (appointed 31 January 2003)	92	–	–	–	92	–
A F Moshiri	175	53	20	3	251	271
I Falconer	108	2	15	1	126	136
D L Woods	182	65	8	–	255	105
J G West ⁽¹⁾	30	–	–	–	30	25
Lord Chandos ⁽²⁾	25	–	–	–	25	20
D C Port ⁽³⁾	45	3	–	2	50	4
	755	123	81	7	966	696

Notes

- (1) J G West's Director's fees for the year ended 31 December 2003 of £26,000 (2002 – £23,000) have been invoiced by Jimmy West Associates Limited, a company of which he is a director and shareholder and the balance of £4,000 (2002 – £2,000) has been paid as salary under the PAYE system.
- (2) Lord Chandos' Director's fees for the year ended 31 December 2003 of £5,000 (2002 – £20,000) and £20,000 (2002 – £nil) have been invoiced by GFH Strategy Limited and Northbridge UK Limited, respectively, companies of which he is a director and shareholder.
- (3) D C Port's salary for the year ended 31 December 2003 of £50,000 (2002 – £4,000) excludes £9,167 of fees he has received from Global Natural Gas Limited, an associated undertaking, for acting as a non-executive director of that company.

The total emoluments, including pension contributions, of the highest paid Director, D L Woods, were £255,000 (2002 – A F Moshiri – £271,000).

Benefits receivable consist primarily of company car and healthcare. No expense allowances or compensation for loss of office were paid in the year.



Directors' Remuneration Report *continued*

Pensions – audited

The Company provides pension entitlements to Directors that are defined contribution in nature.

	Gross salary p.a. on which pension contributions made £000	% of gross salary	Contributions paid in the year ended 31 December 2003 £000	Contributions paid in the year ended 31 December 2002 £000
Lord Owen	99	40	38	38
A F Moshiri	99	20	20	19
I Falconer	99	15	15	15
D L Woods	50	15	8	3

The Company makes contributions to individual money purchase schemes for each of the relevant Directors. There are no unfunded pension promises or similar arrangements for Directors.

Non-Executive Directors are not eligible for any pension arrangements.

Share options – audited

Details of share options of those Directors who served during the year are as follows:

	Outstanding 1.1.03*	Granted during year	Outstanding 31.12.03	Exercise price	Date of grant	First date of exercise	Final date of exercise
Lord Owen	75,000	–	75,000	150p	16.11.99	16.11.02	15.11.09
Lord Owen	30,000	–	30,000	300p	21.9.00	21.9.03	20.9.10
Lord Owen	100,000	–	100,000	40p	13.9.02	13.9.05	12.9.12
Lord Owen	–	50,000	50,000	260p	1.7.03	1.7.06	30.6.13
A B Usmanov	235,659	–	235,659	297p	15.7.98	15.7.01	14.7.08
A B Usmanov	100,000	–	100,000	150p	16.11.99	16.11.02	15.11.09
A B Usmanov	30,000	–	30,000	300p	21.9.00	21.9.03	20.9.10
A B Usmanov	–	150,000	150,000	260p	1.7.03	1.7.06	30.6.13
A F Moshiri	117,829	–	117,829	764p	13.11.96	13.11.99	12.11.06
A F Moshiri	100,000	–	100,000	150p	16.11.99	16.11.02	15.11.09
A F Moshiri	30,000	–	30,000	300p	21.9.00	21.9.03	20.9.10
A F Moshiri	150,000	–	150,000	40p	13.9.02	13.9.05	12.9.12
A F Moshiri	–	100,000	100,000	260p	1.7.03	1.7.06	30.6.13
I Falconer	11,782	–	11,782	764p	13.11.96	13.11.99	12.11.06
I Falconer	32,992	–	32,992	297p	15.7.98	15.7.01	14.7.08
I Falconer	25,000	–	25,000	150p	16.11.99	16.11.02	15.11.09
I Falconer	15,000	–	15,000	40p	13.9.02	13.9.05	12.9.12
I Falconer	–	25,000	25,000	280p	10.7.03	10.7.06	9.7.13
D L Woods	108,053	–	108,053	40p	13.9.02	13.9.05	12.9.12

* Or date of appointment.

The consideration for the grant of each of the above options was £1.00.

No performance criteria have been set for these share options as the Executive Share Option Scheme was established in 1996 before performance conditions became a normal requirement.

No Directors' share options were exercised or lapsed in the year ended 31 December 2003. The market price of the Company's ordinary shares at 31 December 2003 was 215.5p and the highest and lowest market prices during the year were 307p and 47.5p respectively.

Annual General Meeting

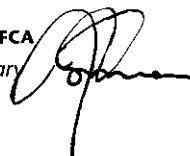
In accordance with the requirement of Section 241A of the Companies Act 1985, a resolution will be proposed at the forthcoming Annual General Meeting to approve the Directors' Remuneration Report.

Approved by the Board of Directors and signed on behalf of the Board.

J P Gorman FCA

Company Secretary

27 April 2004




GLOBAL NATURAL ENERGY PLC

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for that period. In preparing those 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 accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume the Group will continue in business.

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



Independent Auditors' Report to the Members of Global Natural Energy plc

We have audited the Group's financial statements for the year ended 31 December 2003, which comprise Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 31. These financial statements have been prepared on the accounting policies as set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements and the part of the Directors' Remuneration Report to be audited give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all the risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the



Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the loss of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland LLP

MRI Moores Rowland LLP

Registered Auditors

London

27 April 2004



Consolidated Profit and Loss Account

Year ended 31 December 2003

	Note	2003 £000	2003 £000	2002 £000
Turnover				
Continuing operations:				
ongoing		135,761		53,610
acquisition – Freeheart Limited		91		–
			135,852	53,610
Discontinued operations			–	40,661
Group turnover	2, 3		135,852	94,271
Cost of sales			(132,305)	(90,910)
Gross profit			3,547	3,361
Administrative expenses			(3,364)	(3,140)
Operating profit				
Continuing operations:				
ongoing		95		(482)
acquisition – Freeheart Limited		88		–
			183	(482)
Discontinued operations			–	703
Group operating profit	2, 5		183	221
Share of associated undertakings' operating (losses)/profits	11		(312)	78
Amortisation of negative goodwill on acquisition of associated undertaking	11		192	–
Gain on sale of steel assets	4		–	517
Gain on sale of properties			68	26
Profit on ordinary activities before interest			131	842
Interest receivable and similar income			234	107
Interest payable and similar charges	6		(1,156)	(654)
(Loss)/profit on ordinary activities before taxation	3		(791)	295
Tax charge on (loss)/profit on ordinary activities	7		(63)	(63)
(Loss)/profit on ordinary activities after taxation			(854)	232
Equity minority interest			(39)	(61)
Retained (loss)/profit for the financial year	23		(893)	171
Basic (loss)/earnings per ordinary share	25		(8.1)p	1.6p
Diluted (loss)/earnings per ordinary share	25		(8.1)p	1.5p



Statement of Total Recognised Gains and Losses

Year ended 31 December 2003

	2003 £000	2002 £000
(Loss)/profit for the financial year	(893)	171
Currency translation differences on foreign currency net investments	(755)	(886)
Total recognised gains and losses relating to the year	(1,648)	(715)
Prior year adjustment	—	(124)
Total gains and losses recognised since last annual report	(1,648)	(839)



Consolidated Balance Sheet

31 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	9	3,815	4,021
Tangible assets	10	26,504	25,295
Trade investments	11	4	4
Net investment in associated undertakings	11	3,157	2,205
Mining leases	12	—	10
		<u>33,480</u>	<u>31,535</u>
Current assets			
Stocks	14	2,440	2,149
Debtors	15	1,727	5,750
Cash at bank and in hand	26(c)	6,903	5,479
		<u>11,070</u>	<u>13,378</u>
Creditors:			
Amounts falling due within one year	16	(11,250)	(10,336)
Net current (liabilities)/assets		<u>(180)</u>	<u>3,042</u>
Total assets less current liabilities		<u>33,300</u>	<u>34,577</u>
Creditors:			
Amounts falling due after more than one year	17	(10,823)	(11,874)
Provisions for liabilities and charges	19	(288)	(305)
Total net assets		<u>22,189</u>	<u>22,398</u>
Capital and reserves			
Called up share capital	21	2,836	2,701
Share premium account	22	10,969	9,704
Profit and loss account	23	1,015	2,663
Total equity shareholders' funds	24	<u>14,820</u>	<u>15,068</u>
Equity minority interests		<u>7,369</u>	<u>7,330</u>
		<u>22,189</u>	<u>22,398</u>

A F Moshiri

These financial statements were approved by the Board of Directors on 27 April 2004.

Signed on behalf of the Board of Directors: A F Moshiri *Chief Executive*.



Balance Sheet

31 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	10	7	11
Investments – trade and associated undertakings	11	1,139	106
Investments – subsidiaries	13	17,311	17,694
		<u>18,457</u>	<u>17,811</u>
Current assets			
Debtors – falling due after more than one year	15	2,800	2,800
– falling due within one year	15	1,552	5,219
Cash at bank and in hand		4,070	1,491
		<u>8,422</u>	<u>9,510</u>
Creditors:			
Amounts falling due within one year	16	(8,906)	(10,828)
Net current liabilities		<u>(484)</u>	<u>(1,318)</u>
Total assets less current liabilities		<u>17,973</u>	<u>16,493</u>
Creditors:			
Amounts falling due after more than one year	17	(2,000)	(2,800)
Total net assets		<u>15,973</u>	<u>13,693</u>
Capital and reserves			
Called up share capital	21	2,836	2,701
Share premium account	22	10,969	9,704
Profit and loss account	23	2,168	1,288
Total equity shareholders' funds		<u>15,973</u>	<u>13,693</u>

A F Moshiri

These financial statements were approved by the Board of Directors on 27 April 2004.

Signed on behalf of the Board of Directors: A F Moshiri *Chief Executive*.



Consolidated Cash Flow Statement

Year ended 31 December 2003

	Note	2003 £000	2002 £000
Cash inflow from operating activities	26(a)	2,310	6,017
Dividends received from associated undertaking		7	300
Returns on investments and servicing of finance	26(b)	(507)	(351)
Taxation		(50)	(131)
Net cash inflow/(outflow) from capital expenditure and financial investment	26(b)	3,446	(3,147)
Acquisitions and disposals	26(b)	(1,165)	835
Cash inflow before financing		4,041	3,523
Financing			
Issue of ordinary share capital		1,400	-
Decrease in debt	26(b)	(2,202)	(2,726)
Net cash outflow from financing		(802)	(2,726)
Increase in cash	26(c)	3,239	797

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2003 £000	2002 £000
Increase in cash in the year ended 31 December	26(c)	3,239	797
Cash outflow from decrease in debt	26(c)	2,202	2,726
Change in net debt resulting from cash flows		5,441	3,523
Debt acquired with subsidiary	26(c)	(2,000)	(7,811)
Other non-cash movements	26(c)	-	(2,819)
Translation difference	26(c)	(85)	44
Movement in net debt in the year		3,356	(7,063)
Net debt at 1 January		(9,726)	(2,663)
Net debt at 31 December	26(c)	(6,370)	(9,726)



Notes to the Financial Statements

Year ended 31 December 2003

1. Accounting policies

Basis of preparing the financial statements

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

The financial statements are prepared in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all operating subsidiaries.

Freeheart Limited, for the purposes of FRS 5, Reporting the Substance of Transactions is in essence a quasi subsidiary of the Group by virtue of direct control and hence giving rise to risks and benefits that are in substance no different from those that arise were the vehicle a subsidiary. Accordingly, Freeheart Limited has been included in the Group financial statements using the acquisition method of accounting as from 20 March 2003. The Group's profit and loss account and statement of cash flows include the results and cash flows of Freeheart Limited for the period since the option agreement was entered into on 20 March 2003. The cost of the option on 31 December 2003 and amount paid to exercise the option has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Acquisitions

On the acquisition of a subsidiary, fair values are attributed to the Group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill, which is capitalised and amortised over its estimated useful life which it is anticipated will not be more than twenty years. Where the cost of acquisition is less than the values attributable to such net assets, the difference is treated as negative goodwill. Any negative goodwill is recognised in the profit and loss account in the periods expected to benefit.

Intangible fixed assets

Positive goodwill is regarded as an Intangible fixed asset and is amortised through the profit and loss account on a straight line basis over its useful economic life up to a presumed maximum of twenty years. When the relevant asset or business is sold, any un-amortised goodwill is taken into account in determining the profit or loss on sale.

Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Provision is made for asset impairment if an asset's recoverable amount (the higher of net realisable value and value in use) falls below its carrying value.

Negative goodwill arising on the acquisition of associated undertakings is regarded as an Intangible fixed asset credit balance and is amortised through the profit and loss account in the periods expected to benefit.

Tangible fixed assets

All fixed assets are recorded initially at cost or fair value.

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this, land and buildings are subject to a full valuation every five years with an interim valuation carried out in the third year of the cycle. The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.



Notes to the Financial Statements *continued*

Year ended 31 December 2003

1. Accounting policies – *continued*

Depreciation

Depreciation is provided on all other tangible fixed assets at rates calculated to write-off the cost or valuation, less residual value, of each asset evenly over its expected useful life as follows:

Freehold land	–	nil
Freehold buildings	–	50 years
Short leaseholds	–	over period of lease
Plant and pumps	–	10 years
Tanks	–	30 years
Computer hardware	–	5 years
Computer software	–	3 years
Fixtures and fittings		
– canopies	–	20 years
– other	–	10 years
Office equipment	–	4 to 6 years

Provision is made for asset impairment if an asset's recoverable amount (the higher of net realisable value and value in use) falls below its carrying value.

Mining leases

Mining leases are stated at cost, together with exploration and development expenditure incurred less provision for any impairment to their carrying value. The Group's mining leases were disposed of in the year ended 31 December 2003.

Trade investments

Listed trade investments are held as fixed assets, are stated at cost less provision for any impairment to their carrying value and are not revalued to their market value. Unlisted trade investments are held as fixed assets and are stated at cost less provision for any impairment to their carrying values.

Investments in associated undertakings

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of profits and losses of associated undertakings at or below operating profit and the consolidated balance sheet includes the Group's share of net assets of its associated undertakings within fixed assets investments. The financial results for all of the Group's associated undertakings are based on audited financial statements to 31 December 2003.

Stocks

Stocks are stated at the lower of cost incurred in bringing products to their present location and condition, and net realisable value.

Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more than likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

In relation to the disclosures made in Note 20:

- short term debtors and creditors are not treated as financial assets or financial liabilities except for currency disclosures; and
- the Group does not hold or issue derivatives financial instruments for trading purposes.



1. Accounting policies – continued

Turnover

Turnover represents sales of goods and services invoiced to external customers, stated net of Value Added Tax.

Foreign exchange

Transactions of UK companies denominated in foreign currencies are translated into sterling at the average rate. Monetary assets and liabilities of UK companies denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account. The financial statements of UK companies, which report in foreign currencies, and foreign subsidiaries, are translated into sterling at the closing rates of exchange for the balance sheet and at the average rates for the profit and loss account. The differences arising from the translation of the opening net investment in subsidiaries at the closing rate is taken directly to reserves.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The cost of providing the money purchase scheme for four of the Directors and employees is charged to the profit and loss account as it arises.

2. Turnover and operating profit

	Ongoing operations £000	Acquisition £000	Total 2003 £000	Ongoing operations £000	Discontinued operations £000	Total 2002 £000
Turnover	135,761	91	135,852	53,610	40,661	94,271
Cost of sales	(132,305)	–	(132,305)	(51,259)	(39,651)	(90,910)
Gross profit	3,456	91	3,547	2,351	1,010	3,361
Administrative expenses	(3,361)	(3)	(3,364)	(2,833)	(307)	(3,140)
Operating profit/(loss)	95	88	183	(482)	703	221



Notes to the Financial Statements *continued*

Year ended 31 December 2003

3. Segmental analysis of results

(i) Turnover – by destination

	Ongoing operations £000	Acquisition £000	Total 2003 £000	Ongoing operations £000	Discontinued operations £000	Total 2002 £000
UK	135,661	91	135,752	53,266	118	53,384
Italy	–	–	–	–	8,686	8,686
Taiwan	–	–	–	–	7,513	7,513
Egypt	–	–	–	–	6,049	6,049
China	–	–	–	–	3,573	3,573
USA	–	–	–	–	3,202	3,202
Thailand	–	–	–	–	3,132	3,132
Spain	–	–	–	–	3,073	3,073
Hong Kong	–	–	–	–	2,266	2,266
Indonesia	–	–	–	–	2,247	2,247
Russia	100	–	100	344	–	344
France	–	–	–	–	274	274
Belgium	–	–	–	–	243	243
Norway	–	–	–	–	149	149
Malaysia	–	–	–	–	136	136
	135,761	91	135,852	53,610	40,661	94,271

Turnover – by location

All turnover for both the years ended 31 December 2003 and 2002 was undertaken by companies incorporated and registered in England and Wales.

(ii) Turnover – by class of business

	Ongoing operations £000	Acquisition £000	Total 2003 £000	Ongoing operations £000	Discontinued operations £000	Total 2002 £000
Petrol service stations	118,473	91	118,564	44,648	–	44,648
Fuel cards	16,542	–	16,542	8,484	–	8,484
Financial services	100	–	100	344	–	344
Metals and related activities	646	–	646	89	40,661	40,750
Other	–	–	–	45	–	45
	135,761	91	135,852	53,610	40,661	94,271



3. Segmental analysis of results – continued

(iii) (Loss)/profit on ordinary activities before taxation – by class of business

	Ongoing operations £000	Acquisition £000	Total 2003 £000	Ongoing operations £000	Discontinued operations £000	Total 2002 £000
Petrol service stations	(248)	27	(221)	(15)	–	(15)
Fuel cards	410	–	410	255	–	255
Financial services	100	–	100	344	–	344
Metals and related activities						
– group companies	(92)	–	(92)	(71)	713	642
– associated undertakings	172	–	172	(30)	–	(30)
Gas supply						
– associated undertakings	(419)	–	(419)	(88)	–	(88)
Exceptional						
– amortisation of negative goodwill	192	–	192	–	–	–
– gain on sale of steel assets	–	–	–	–	517	517
Net interest payable and parent company expenses	(933)	–	(933)	(1,330)	–	(1,330)
	<u>(818)</u>	<u>27</u>	<u>(791)</u>	<u>(935)</u>	<u>1,230</u>	<u>295</u>

(iv) (Loss)/profit on ordinary activities before taxation – by location

	Ongoing operations £000	Acquisition £000	Total 2003 £000	Ongoing operations £000	Discontinued operations £000	Total 2002 £000
United Kingdom						
– group companies	(560)	27	(533)	(498)	927	429
– associated undertakings	(247)	–	(247)	(118)	–	(118)
USA	–	–	–	8	–	8
Bermuda	(4)	–	(4)	(9)	–	(9)
Jersey	(7)	–	(7)	(7)	(8)	(15)
	<u>(818)</u>	<u>27</u>	<u>(791)</u>	<u>(624)</u>	<u>919</u>	<u>295</u>



Notes to the Financial Statements *continued*

Year ended 31 December 2003

3. Segmental analysis of results – *continued*

(v) Net assets – by class of business

	2003 £000	2002 £000
Petrol service stations	12,575	12,615
Fuel cards	2,479	2,079
Financial services	5,509	5,316
Metals and metal related activities		
– group companies	(1,531)	183
– associated undertakings	2,360	2,214
Gas supply – associated undertakings	797	(9)
	<u>22,189</u>	<u>22,398</u>

(vi) Net assets – by location

	2003 £000	2002 £000
United Kingdom		
– group companies	19,031	20,184
– associated undertakings	3,157	2,205
USA	–	6
Bermuda	(1)	1
Jersey	2	2
	<u>22,189</u>	<u>22,398</u>

4. Exceptional item

Gain on sale of steel assets comprising:

	2003 £000	2002 £000
Profit on disposal of Revenant Limited	–	561
Profit on disposal of D.R.I. (IOM) Limited	–	78
Loss on disposal of associated undertaking	–	(16)
Profit on sale of trade investments	–	211
Transaction costs	–	(317)
	<u>–</u>	<u>517</u>



5. Group operating profit

	2003 £000	2002 £000
Operating profit is after charging/(crediting):		
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned tangible assets	351	154
Amortisation of positive goodwill	211	87
Intangible assets	–	86
Auditors' remuneration:		
Audit fees – current auditors – current year provision	70	–
– former auditors – current year provision	18	103
– former auditors – prior year under provision	11	–
Non-audit fees – current auditors	17	–
– former auditors	13	128
Tax advisers fees	66	100
Rentals under operating leases:		
Other operating leases:		
Land and buildings	357	197
Plant, machinery, office equipment, fixtures, fittings and motor cars	85	47
Rental income	(122)	(52)

The Company's current year's auditors' remuneration – audit fee provision is £58,000 (current auditors £40,000 and former auditors £18,000) (2002 – £88,000 – former auditors), the prior year under provision is £6,000 (former auditors) (2002 – £nil) and other services is £nil (2002 – £75,000 – former auditors). The Company's current year's tax advisers fees are £63,000 (2002 – £86,000).

In the year ended 31 December 2002 included in Auditors' remuneration: Non-audit fees – former auditors is £125,000 of fees relating to the transactions completed on 9 August 2002. In addition, the Group paid £111,000 of fees to the former auditors, which were capitalised as costs of acquiring Petrol Express Limited and Fuel Up Limited.

6. Interest payable and similar charges

	2003 £000	2002 £000
Bank loans and overdrafts	723	261
Bank charges	18	168
Amortisation of loan finance costs	54	144
Mezzanine loan premium	218	–
Share of associated undertakings' interest payable (Note 11)	143	196
	1,156	769
Less included in cost of sales	–	(115)
	1,156	654

Bank charges of £nil (2002 – £115,000) have been included in cost of sales as these expenses are trade finance related.



Notes to the Financial Statements *continued*

Year ended 31 December 2003

7. Tax charge on (loss)/profit on ordinary activities

Analysis of tax charge on ordinary activities

	2003 £000	2002 £000
UK corporation tax based on (loss)/profit for the year	71	173
Adjustment in respect of prior years	(10)	(140)
	<u>61</u>	<u>33</u>
Foreign tax for current year	-	15
Tax applicable to associated undertakings (Note 11)	19	13
	<u>80</u>	<u>61</u>
Current tax charge	80	61
Deferred tax: Timing differences: origination and reversal (Note 19)	(17)	2
	<u>63</u>	<u>63</u>

Factors affecting current tax charge for the year

The current tax assessed for the year is higher (2002 – lower) than that resulting from applying the standard rate of corporation tax in the UK of 30% (2002 – 30%).

The differences are explained below:

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	(791)	295
Tax at 30% thereon	<u>(237)</u>	<u>89</u>
Effects of:		
Provision for net asset deficiency in subsidiaries	61	-
Non taxable gain on sale of steel assets	-	(155)
Amortisation not deductible for tax purposes	(11)	33
Depreciation on assets not qualifying for capital allowances	25	-
Expenses not deductible for tax purposes	22	28
Losses of associated undertakings for which no tax relief is available	93	48
Overseas associated undertaking dividend income	-	90
Other permanent differences	(18)	(33)
Movement on provided deferred tax	17	(2)
Unprovided deferred tax on revenue tax losses	142	88
Group profits subject to lower tax rate	(4)	-
Foreign withholding tax	-	15
Adjustment in respect of prior years	(10)	(140)
	<u>80</u>	<u>61</u>

Factors that may affect the future tax charge

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £2,200,000 (2002 – £2,300,000).

Deferred tax has not been provided in respect of gains realised that have been rolled over into acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £900,000 (2002 – £1,150,000).

A deferred tax asset has not been recognised in respect of timing differences relating to revenue tax losses carried forward as there is insufficient evidence that there will be suitable available profits to enable an asset to be established. The amount of the asset not recognised is £1,800,000 (2002 – £1,600,000).



7. Tax charge on (loss)/profit on ordinary activities – continued

Factors that may affect the future tax charge – continued

A deferred tax asset has not been recognised in respect of timing differences relating to capital losses carried forward as there is insufficient evidence that there will be suitable available profits to enable an asset to be established. The amount of the asset not recognised is £3,000,000 (2002 – £2,900,000).

2002 adjusting post balance sheet event

In 1999 the Inland Revenue raised queries regarding the historical tax affairs of the Company. These enquiries have been completed and a settlement agreed. As a consequence of this agreement, the Company is due to pay additional tax of £88,000 and other group companies are due tax repayments of £63,000. These amounts are included in the Group's balance sheet at 31 December 2002. The resolution of these enquiries has resulted in a release of historic tax provisions of £110,000; the release represents the majority of the tax credit in respect of prior years of £140,000.

8. Staff costs

	2003 £000	2002 £000
Directors' remuneration:		
Fees as Directors	51	43
Other emoluments	915	653
	966	696
	2003 £000	2002 £000
Staff costs, including Directors' remuneration:		
Wages and salaries	4,765	2,383
Social security costs	405	214
Other pension costs	119	95
	5,289	2,692
	2003 Number	2002 Number
Average number of persons employed by the Group in the year, including Executive Directors:		
Management	10	11
Sales and administration	13	9
Service station staff	335	116
	358	136



Notes to the Financial Statements *continued*

Year ended 31 December 2003

9. Intangible fixed assets – Group

	Goodwill £000
Cost:	
At 1 January 2003	4,108
Acquisition of subsidiary undertaking	5
At 31 December 2003	<u>4,113</u>
Accumulated amortisation:	
At 1 January 2003	87
Charge for the year	211
At 31 December 2003	<u>298</u>
Net book value:	
At 31 December 2003	<u>3,815</u>
At 31 December 2002	<u>4,021</u>

Goodwill is being amortised over the Directors' estimate of its useful economic life, being twenty years.

10. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Office equipment, fixtures and fittings £000	Motor cars £000	Total £000
Group					
Cost or valuation:					
At 1 January 2003	23,523	1,351	670	5	25,549
Additions	531	19	131	–	681
Disposals	(1,190)	(36)	(11)	(5)	(1,242)
Acquisition of subsidiary	2,100	–	–	–	2,100
At 31 December 2003	<u>24,964</u>	<u>1,334</u>	<u>790</u>	<u>–</u>	<u>27,088</u>
Depreciation:					
At 1 January 2003	20	42	189	3	254
Charge for the year	83	110	157	1	351
Disposals	(5)	(7)	(5)	(4)	(21)
At 31 December 2003	<u>98</u>	<u>145</u>	<u>341</u>	<u>–</u>	<u>584</u>
Net book value:					
At 31 December 2003	<u>24,866</u>	<u>1,189</u>	<u>449</u>	<u>–</u>	<u>26,504</u>
At 31 December 2002	<u>23,503</u>	<u>1,309</u>	<u>481</u>	<u>2</u>	<u>25,295</u>



10. Tangible fixed assets – continued

The net book value of land and buildings comprises:

	2003
	£000
Freehold properties	23,882
Long leasehold properties	964
Short leasehold properties	20
	<hr/> 24,866 <hr/>

Certain Group properties are the subject of priority charges in respect of trade and loan debt. The balance of the tangible fixed assets provide security to the lenders in connection with the Group's bank loans, other loan and overdraft.

Company	Office equipment
Cost:	£000
At 1 January 2003 and 31 December 2003	<hr/> 114 <hr/>
Accumulated depreciation:	
At 1 January 2003	103
Charge for the year	4
	<hr/> 107 <hr/>
At 31 December 2003	
Net book value:	
At 31 December 2003	<hr/> 7 <hr/>
At 31 December 2002	<hr/> 11 <hr/>



Notes to the Financial Statements *continued*

Year ended 31 December 2003

11. Investments

Group	Investment in shares £000	Loans £000	Total £000
Trade investments			
Cost before and after provision for impairment:			
At 1 January 2003 and 31 December 2003	<u>4</u>	<u>-</u>	<u>4</u>
Associated undertakings			
Cost:			
At 1 January 2003	2,446	(28)	2,418
Additions	1,085	-	1,085
Negative goodwill on acquisition	766	-	766
Net of negative goodwill after amortisation	(574)	-	(574)
Provisions made	(80)	(128)	(208)
Loans repaid/advanced	-	156	156
At 31 December 2003	<u>3,643</u>	<u>-</u>	<u>3,643</u>
Share of profits/(losses) and reserves:			
At 1 January 2003	(213)	-	(213)
Loss for the year before interest payable	(104)	-	(104)
Interest payable (Note 6)	(143)	-	(143)
Taxation – current year (Note 7)	(19)	-	(19)
Share of dividends	(7)	-	(7)
At 31 December 2003	<u>(486)</u>	<u>-</u>	<u>(486)</u>
Net book value:			
At 31 December 2003	<u>3,157</u>	<u>-</u>	<u>3,157</u>
At 31 December 2002	<u>2,233</u>	<u>(28)</u>	<u>2,205</u>

The share of operating loss for the year amounting to £312,000 is due to the loss for the year before interest payable of £104,000 and the provision against the investment in and loan to associated undertaking of £208,000.

The negative goodwill recognised in the profit and loss for the year amounting to £192,000 arises from the negative goodwill on acquisition of £766,000 less the negative goodwill netted of after amortisation of £574,000.

**2003
£000**

Associated undertaking acquired in the year was

33.2% of Flenwood Limited 1,085

Investments at cost before and after provision for impairment:

**2003
£000**

Trade investment:

RIL plc (formerly Riceman Insurance Investments plc) 4

**2003
£000**

Associated undertakings:

Europe Steel plc 180

Afon Tinplate Company Limited 2,180

Flenwood Limited 955

Global Natural Gas Limited (158)

3,157



11. Investments – continued

Trade investments comprise:

	Activity	Country of incorporation	Proportion of ordinary shares held	
			2003	2002
RII plc (formerly Riceman Insurance Investments plc)	Cash shell	Great Britain	5.7%	5.7%
L M Holding Company Inc.	Steel products	USA	13.0%	26.0%
Northern Maritime Property Investments Limited	Dormant	Great Britain	21.6%	21.6%
Forestrealm Limited	Dormant	Great Britain	20.9%	20.9%
CTSC MIFK Interfin	Dormant	Russia	20.0%	20.0%
MBA Energy	Dormant	Russia	20.0%	20.0%
Middlesex (U.S.A.) Inc.	Dormant	USA	15.0%	15.0%

The shareholdings in these trade investments are all owned by the Company, except for L M Holding Company Inc. and Middlesex (U.S.A.) Inc., which are owned by Wolff Steel Limited, a 100% subsidiary of the Company.

RII plc (formerly Riceman Insurance Investments plc) is traded on the London Stock Exchange under the Alternative Investment Market. At 31 December 2003 the closing mid-market price per ordinary share was 1.5p giving an aggregate market value for the Group's shares of £56,250 which is above cost.

The associated undertakings comprise:

	Activity	Country of incorporation	Description of shares held	Percentage holding and voting rights
Europe Steel plc	Steel products	Great Britain	Ordinary shares of 1p	39.3%
Afon Tinplate Company Limited	Steel products	Great Britain	Ordinary shares of £1	36.0%
Global Natural Gas Limited	Gas supply	Great Britain	Ordinary shares of £1	40.0%
Flenwood Limited	Holding company for gas supply	Great Britain	Ordinary shares of 50p	33.2%

These companies operate principally in their country of incorporation.

Europe Steel plc is traded on OFEX. At 31 December 2003 the closing mid-market price per ordinary share was 13.75p giving an aggregate market value for the Group's shares of £687,500 which is above cost.

The aggregate share of turnover of the Group's principal associated undertakings and the Group's share of Flenwood Limited's turnover, loss before interest, interest payable, loss before tax, tax charge and loss after tax are as follows:

	Aggregate 2003 £000	Flenwood Limited 2003 £000
Sales	35,577	22,000
Loss before interest		(250)
Interest payable		(72)
Loss before tax		(322)
Taxation		-
Net loss on ordinary activities		(322)



Notes to the Financial Statements *continued*

Year ended 31 December 2003

11. Investments – *continued*

The aggregate share of net assets of the Group's principal associated undertakings (and individual numbers for Flenwood Limited) and the share of net assets attributable to the Group are as follows:

	Aggregate 2003 £000	Flenwood Limited 2003 £000
Intangible assets	1,987	1,987
Negative goodwill	(574)	(574)
Tangible assets	2,277	351
Current assets	15,211	11,445
Current liabilities	(13,832)	(10,926)
	<u>5,069</u>	<u>2,283</u>
Less: Long term debt	(1,651)	(1,328)
Provision for liabilities and charges	(208)	–
Accruals and deferred income	(22)	–
	<u>3,188</u>	<u>955</u>
Less: Provision against cost of investment and other adjustments	(31)	–
Group's share	<u>3,157</u>	–

Share of operating profits/(losses) in associated undertakings less interest payable, taxation and share of dividends for the year ended 31 December 2003 comprise:

	Share of operating profits/ (losses) in associated undertakings £000	Interest payable £000	Taxation charge £000	Share of dividends £000	2003 Total £000
Europe Steel plc	138	(19)	–	–	119
Afon Tinplate Company Limited	105	(52)	(19)	(7)	27
Flenwood Limited (for period 1.7.03 to 31.12.03)	(250)	(72)	–	–	(322)
Global Natural Gas Limited	(97)	–	–	–	(97)
	<u>(104)</u>	<u>(143)</u>	<u>(19)</u>	<u>(7)</u>	<u>(273)</u>



11. Investments – continued

Company	Investment in shares £000	Loans £000	Total £000
Trade Investments			
Cost before and after provision for impairment:			
At 1 January 2003 and at 31 December 2003	<u>4</u>	<u>-</u>	<u>4</u>
Associated undertakings			
Cost:			
At 1 January 2003	130	(28)	102
Additions	1,085	-	1,085
Provisions made	(80)	(128)	(208)
Loan repaid/advanced	-	156	156
At 31 December 2003	<u>1,135</u>	<u>-</u>	<u>1,135</u>
Total investments:			
At 31 December 2003	<u>1,139</u>	<u>-</u>	<u>1,139</u>
At 31 December 2002	<u>134</u>	<u>(28)</u>	<u>106</u>
			2003 £000
Associated undertaking acquired in the year was			
33.2% of Flenwood Limited			<u>1,085</u>

12. Mining leases

The Group owned, through its subsidiary Clogau (Nevada) Inc., leases of mining properties in the USA which were included in the consolidated balance sheet at cost, less provision for impairment to carrying value, of £10,000 as at 31 December 2002. The Company's equity investment in Clogau (Nevada) Inc. was disposed for US\$1 in the year ended 31 December 2003.



Notes to the Financial Statements *continued*

Year ended 31 December 2003

13. Investments – subsidiaries

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost:			
At 1 January 2003 – as previously reported	18,409	–	18,409
Reclassification	(7,245)	7,245	–
At 1 January 2003 – after reclassification	11,164	7,245	18,409
Addition – further loan to Petrol Express Limited	–	75	75
At 31 December 2003	11,164	7,320	18,484
Provisions:			
At 1 January 2003	(715)	–	(715)
Provision made	(458)	–	(458)
At 31 December 2003	(1,173)	–	(1,173)
Net book value:			
At 31 December 2003	9,991	7,320	17,311
At 31 December 2002	17,694	–	17,694

(i) Held by the Company

	Activity	Country of Incorporation	Portion of ordinary shares held and voting rights	Country of operation
Middlesex Energy Limited	Investment holding company	Great Britain	100%	Great Britain
Cygnat Metals Limited	Non-trading	Great Britain	100%	–
Swan Metals (Jersey) Limited	Non-trading	Jersey	100%	–
Portsmouth Metals Limited	Non-trading	Bermuda	100%	–
Middlesex OEMK plc	Investment holding company	Great Britain	100%	Great Britain
GNE Capital plc	Non-trading	Great Britain	100%	–
Middlesex Steel Limited	Yet to commence trading	Great Britain	100%	–
Global Natural Energy Retail Limited	Yet to commence trading	Great Britain	100%	–
Wolff Steel Limited	Investment holding company	Great Britain	100%	Great Britain

(ii) Held by the Group

	Activity	Country of Incorporation	Effective ordinary shares held and voting rights	Country of operation
Petrol Express Limited	Holding company	Great Britain	50.01%	Great Britain
Thames Rico Limited	Holding company	Great Britain	50.01%	Great Britain
Thames Rico Service Stations Limited	Petrol retailer	Great Britain	50.01%	Great Britain
Fuel Up Limited	Fuel card operator	Great Britain	50.01%	Great Britain
National & European Fuel Services Limited	Fuel card operator	Great Britain	50.01%	Great Britain
Freeheart Limited	Property owning	Great Britain	50.01%	Great Britain



13. Investments – subsidiaries – continued

On 31 December 2003, Petrol Express Limited exercised its option to acquire the entire issued share capital of Freeheart Limited. In accordance with an option agreement entered into on 20 March 2003, Petrol Express Limited assumed control of that company from that date. This acquisition has been accounted for by the acquisition method.

Further details of the acquisition are set out below:

Net assets at date of acquisition (book and fair value):

	Freeheart Limited £000
Tangible fixed assets	2,100
Debtors	346
Other loans	(2,000)
Creditors due within one year	(296)
Net assets	150
Minority shareholder's interest	(75)
Goodwill arising on acquisition	5
	80

Discharged by:

Deferred consideration – cash to exercise option on 31 December 2003	5
Cash contribution by the Company to secure the option	75
	80

Freeheart Limited was a newly incorporated company created to acquire four freehold/long leasehold petrol stations and as a result does not have prior period financial results.

14. Stocks – Group

	2003 £000	2002 £000
Goods for resale	2,440	2,149



Notes to the Financial Statements *continued*

Year ended 31 December 2003

15. Debtors

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Amounts falling due within one year:				
Trade debtors	1,027	100	1,512	–
Amounts owed by subsidiaries	–	1,192	–	1,846
Corporation tax recoverable	32	–	78	–
Group relief recoverable	–	90	–	35
Other debtors	410	104	3,735	3,273
Prepayments and accrued income	258	66	425	65
	<u>1,727</u>	<u>1,552</u>	<u>5,750</u>	<u>5,219</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary	–	2,800	–	2,800
	<u>1,727</u>	<u>4,352</u>	<u>5,750</u>	<u>8,019</u>

16. Creditors: amounts falling due within one year

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Current instalments due on bank loans	1,450	–	1,470	–
Current instalments due on other loan	200	–	131	–
Bank overdraft	–	–	1,730	–
Loan note	800	800	–	–
Trade creditors	5,749	–	4,737	–
Amounts owed to subsidiaries	–	7,421	–	10,291
Corporation tax	90	–	132	88
Other tax and social security	442	37	617	75
Other creditors	548	129	537	189
Accruals and deferred income	1,971	519	982	185
	<u>11,250</u>	<u>8,906</u>	<u>10,336</u>	<u>10,828</u>

Included in the Group's trade creditors at 31 December 2003 is £1,090,000 (2002 – £1,586,000) which is secured by Deeds of Priority relating to twenty (2002 – nine) of the Group's freehold and long leasehold properties.

The amounts due in respect of Group bank loans and bank overdraft are secured by a fixed and floating charge on the Group's properties and other assets. The amounts due in respect of Group other loan is secured by a fixed legal charge on four (2002 – one) of the Group's freehold/leasehold properties.



17. Creditors: amounts falling due after more than one year

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Bank loans	7,123	–	9,074	–
Other loan	1,700	–	–	–
Loan note	–	–	800	800
Accrual for issue of loan note	2,000	2,000	2,000	2,000
	<u>10,823</u>	<u>2,000</u>	<u>11,874</u>	<u>2,800</u>

18. Loans

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Not wholly payable within five years:				
Not by instalments – 4.625% over LIBOR	2,600	–	2,600	–
Wholly repayable within five years:				
By instalments – at LIBOR (2002 – interest free)	1,900	–	131	–
By instalments – at 2.125% over LIBOR	6,200	–	8,225	–
Loan note	800	800	800	800
	<u>11,500</u>	<u>800</u>	<u>11,756</u>	<u>800</u>
Un-amortised issue costs	(227)	–	(281)	–
	<u>11,273</u>	<u>800</u>	<u>11,475</u>	<u>800</u>
Amount due within one year	(2,450)	(800)	(1,601)	–
	<u>8,823</u>	<u>–</u>	<u>9,874</u>	<u>800</u>

The bank loan and overdraft all relate to the Petrol Express Limited group and are secured by a fixed and floating charge on its properties and its other assets. The amounts due in respect of the Group's other loan relates to the property owning company and is secured by a first legal charge on four (2002 – one) of their freehold/long leasehold properties.

The loan notes issued and to be issued are to the vendors of the fuel card business, Fuel Up Limited, which was acquired on 9 August 2002. The loan notes consist of:

- (i) £800,000 zero coupon redeemable loan note 2004, which was issued in October 2002; and
- (ii) £2,000,000 3% 5 year convertible loan note 2007. The amount of the loan note to be issued is subject to the fuel card business achieving pre-tax profit after deduction of losses of at least £2,000,000 in the period 1 July 2002 to 30 June 2005 and reduces by £5.60 for each £3.00 shortfall below that amount for that period to a minimum of zero. The 3% cumulative interest on the principal is due from the date of issue. Conversion in the two year period following issue is at the price of £3.00 per ordinary share of the Company. To the extent the loan note is not already converted it is automatically redeemable the earlier of 9 August 2007 or 6 months from the date of issue.



Notes to the Financial Statements *continued*

Year ended 31 December 2003

18. Loans – *continued*

	Group 2003 £000	Company 2003 £000	Group 2002 £000	Company 2002 £000
Amounts falling due:				
In one year or less	2,450	800	1,601	–
Between one and two years	1,612	–	2,605	800
Between two and five years	6,538	–	6,600	–
In five years or more	900	–	950	–
	11,500	800	11,756	800
Un-amortised issue costs	(227)	–	(281)	–
	11,273	800	11,475	800

19. Provision for liabilities and charges – deferred tax

Movement on deferred taxation balance in the year

	Group 2003 £000	Group 2002 £000
At 1 January		305
Credit to profit and loss account (Note 7)		(17)
At 31 December		288
Analysis of deferred tax balance		
	Group 2003 £000	Group 2002 £000
Capital allowances in excess of depreciation	288	312
Short term timing differences	–	(7)
	288	305

No deferred tax is provided in the Company.



20. Financial instruments

The Group's investment and trading activities are funded by shareholders' funds, bank and other loans. The Group's only derivative was the call/put option to re-acquire a 5.2% interest in Oskol Electrometallurgical Kombinat, which was exercised in November 2002. The Group does not trade in financial instruments. Short term debtors and creditors have been excluded from all FRS 13 disclosures, with the exception of the currency risk disclosures.

The Group's treasury policies and debt financing operations are:

- (i) Funds generated by trading activities, that are surplus to immediate financing requirements, are held on either current accounts or short term deposit accounts, until required to settle liabilities.
- (ii) The Group has two principal forms of debt instrument:
 - (a) Long term bank and other loans, secured on the freehold/leasehold properties, used to finance the acquisition of the petrol stations; and
 - (b) Short term bank loans and overdrafts, secured on trade debtors, that were used to finance working capital of the steel trading operation until its sale in August 2002.

(a) Currency risk

The Group publishes its financial statements in Sterling, which is also the currency in which the majority of its administrative expenses are denominated. The Group's exposure to currency risk on trading operations has been reduced since 9 August 2002 when the Group disposed of all of its Russian steel investments and trading businesses (all denominated in US\$) and acquired a controlling interest in Petrol Express Limited and Fuel Up Limited (all denominated in £). Pre 9 August 2002, the majority of its investment and trading operations were conducted through UK and overseas subsidiaries which reported in US dollars as this is the currency in which their investment and trading activities to gross margin level and related fixed and current assets and current liabilities were denominated. One of these subsidiaries operated a bank account denominated in Euros. As a result, the Group was subject to foreign currency exchange gains/losses due to exchange rate movements between Sterling – US dollars and Euros – US dollars which would affect the Group's transaction costs and the translation of the results and underlying net assets of these subsidiaries. The £1 – US dollar exchange rates used in preparing the financial statements were: average – US\$1.64 (2002 – US\$1.46) and year end – US\$1.79 (2002 – US\$1.61) and the Euro – US dollar exchange rates used in preparing the financial statements for 2003 were not applicable (2002 average – Euro 1.11) and (2002 year end – Euro 1.13).

The following analysis of net monetary liabilities shows the Group's currency exposures. The amounts shown represent the transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group which are not denominated in the functional currency of the operating unit involved as at 31 December 2003.

	Functional currencies					
	2003 Sterling £000	2003 US dollars £000	2003 Total £000	2002 Sterling £000	2002 US dollars £000	2002 Total £000
Sterling	–	(2,909)	(2,909)	–	(2,911)	(2,911)
US dollar	3,188	–	3,188	1,722	–	1,722
	<u>3,188</u>	<u>(2,909)</u>	<u>279</u>	<u>1,722</u>	<u>(2,911)</u>	<u>(1,189)</u>



Notes to the Financial Statements *continued*

Year ended 31 December 2003

20. Financial instruments – *continued*

(b) Interest rate risk

At 31 December 2003 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	2003 Floating rate £000	2003 Zero rate £000	2002 Floating rate £000	2002 Zero rate £000
Financial assets				
Sterling	6,897	–	4,628	–
US dollar	6	–	851	–
	<u>6,903</u>	<u>–</u>	<u>5,479</u>	<u>–</u>
Financial liabilities				
Sterling	<u>10,473</u>	<u>2,800</u>	<u>12,405</u>	<u>2,800</u>

Interest rates on floating rate bank deposits and liabilities are based on the relevant national inter bank offered rates. The non-interest bearing liability relates to the amount owing in respect of the loan notes (Notes 17 and 18) which is due in 2004, which is zero coupon and 2007 when it is issued and only then will a coupon become payable. The Group has no fixed interest rate assets or liabilities.

(c) Fair values of financial assets and liabilities

	2003 Net carrying amount £000	2003 Estimated fair value £000	2002 Net carrying amount £000	2002 Estimated fair value £000
Cash and short term deposits	<u>6,903</u>	<u>6,903</u>	<u>5,479</u>	<u>5,479</u>
Borrowings:				
Short-term borrowings and current portion of long-term borrowings	(1,650)	(1,747)	(3,331)	(3,425)
Long-term borrowings	<u>(8,823)</u>	<u>(11,875)</u>	<u>(9,074)</u>	<u>(12,412)</u>
Loan notes:				
Short-term	(800)	(800)	–	–
Long-term	<u>(2,000)</u>	<u>(2,251)</u>	<u>(2,800)</u>	<u>(3,119)</u>

The estimated fair values shown above have been calculated on the basis that cash and short term deposits and bank overdrafts are all cash. The fair value of short term portion of long term borrowings; long term borrowings and the loan notes have been calculated by discounting the expected future cash flows at prevailing rates.

(d) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities is as follows:

	2003 £000	2002 £000
In one year or less, or on demand	2,396	3,332
In more than one year but not more than two	1,558	2,496
In more than two years, but not more than five years	8,419	6,427
In five years or more	900	2,950
	<u>13,273</u>	<u>15,205</u>



21. Called up share capital

	2003 £000	2003 Number	2002 £000	2002 Number
Authorised:				
Ordinary shares of 25p (2002 – 25p) each	<u>3,750</u>	<u>15,000,000</u>	<u>3,750</u>	<u>15,000,000</u>
Allotted, called up and fully paid:				
Ordinary shares of 25p (2002 – 25p) each	<u>2,836</u>	<u>11,344,266</u>	<u>2,701</u>	<u>10,805,392</u>

On 30 June 2003, the Company issued warrants over 270,134 new ordinary shares of 25p each to Semptra Energy Europe Limited ("Semptra"), exercisable at 350p per new ordinary share during the period ending 29 June 2005 or on the expiry of the agreement with Semptra to supply gas to Corona, if earlier.

On 2 July 2003, 538,874 new ordinary shares of 25p each of the Company were issued for a cash consideration of 260p each. £1,085,000 (includes transaction costs) of the £1,400,000 raised was used to acquire a 33.2% investment in a new associated undertaking Flenwood Limited providing an effective 19.9% interest in a UK gas supply business. The balance of £315,000 received has been used for working capital purposes (Note 31).

The following options to subscribe for ordinary shares have been granted under the Executive Share Option Scheme, to 12 employees:

Year of grant	Exercise period	Exercise price per share	2003 Number	2002 Number
1996	13 November 1999 to 12 November 2006	764p	129,611	129,611
1997	11 December 2000 to 10 December 2007	446p	–	8,837
1998	15 July 2001 to 14 July 2008	297p	268,651	286,325
1999	16 November 2002 to 15 November 2009	150p	310,500	340,500
2000	21 September 2003 to 20 September 2010	300p	102,500	102,500
2001	26 June 2004 to 25 June 2011	158p	10,000	10,000
2002	13 September 2005 to 12 September 2012	40p	408,053	408,053
2003	1 July 2006 to 30 June 2013	260p	300,000	–
2003	10 July 2006 to 9 July 2013	280p	50,000	–
			<u>1,579,315</u>	<u>1,285,826</u>

The unexercised share options over ordinary shares held by the Directors under the Executive Share Option Scheme are disclosed in the Directors' Remuneration Report on page 16. Those held by the employees are as follows:

Outstanding	Granted during year	Lapsed during year	Outstanding 31.12.03	Exercise price	Date of grant	First date of exercise	Final date of exercise
1.1.03			31.12.03				
8,837	–	(8,837)	–	446p	11.12.97	11.12.00	10.12.07
17,674*	–	(17,674)	297p	15.7.98	15.7.01	14.7.08	
40,500*	–	(30,000)	10,500	150p	16.11.99	16.11.02	15.11.09
12,500*	–	12,500	300p	21.9.00	21.9.03	20.9.10	
10,000	–	–	10,000	158p	26.6.01	26.6.04	25.6.11
35,000	–	–	35,000	40p	13.9.02	13.9.05	12.9.12
–	25,000	–	25,000	280p	10.7.03	10.7.06	9.7.13

* Amended for the appointment of A B Usmanov as Vice Chairman of the Company on 31 January 2003.



Notes to the Financial Statements *continued*

Year ended 31 December 2003

22. Share premium account

	£000
At 1 January 2003	9,704
Premium on issue of shares during the year	1,265
At 31 December 2003	<u>10,969</u>

23. Profit and loss account

	Group £000	Company £000
At 1 January 2003	2,663	1,288
Currency translation differences on foreign currency net investments	(755)	-
Retained (loss)/profit for the financial year	(893)	880
At 31 December 2003	<u>1,015</u>	<u>2,168</u>

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes a profit after tax of £880,000 (2002 – £222,000) which is dealt with in the financial statements of the parent company.

As at 31 December 2003 the cumulative amount of negative goodwill credited to the profit and loss account is £492,000 (2002 – £492,000).

24. Reconciliation of movements in shareholders' funds

	2003 £000	2002 £000
(Loss)/profit for the financial year	(893)	171
Currency translation differences on foreign currency net investments	(755)	(886)
Issue of ordinary share capital	1,400	-
Net reduction in shareholders' funds	(248)	(715)
Opening shareholders' funds	15,068	15,783
Closing shareholders' funds	<u>14,820</u>	<u>15,068</u>

25. Basic (loss)/earnings per ordinary share and diluted (loss)/earnings per ordinary share

The calculation of basic loss (2002 – earnings) per share is based on loss after taxation and minority interest of £893,000 (2002 – profit – £171,000) and on 11,075,567 ordinary shares (2002 – 10,805,392), being the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss (2002 – earnings) per share is based on loss after taxation and minority interests of £893,000 (2002 – profit – £171,000) and on 11,075,567 ordinary shares (2002 – 11,046,893), being the weighted average number of ordinary shares in issue, dilutive share options and warrants outstanding during the year. The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of options would not be dilutive under the terms of FRS 14.



26. Consolidated cash flow statement

	2003 £000	2002 £000
(a) Reconciliation of operating profit to cash inflow from operating activities		
Operating profit	183	221
Depreciation and amortisation charges	562	327
(Increase)/decrease in stocks	(291)	9,128
Decrease in debtors	1,165	93
Increase/(decrease) in creditors	1,443	(3,820)
Currency translation differences	(752)	68
Cash inflow from operating activities	<u>2,310</u>	<u>6,017</u>
	2003 £000	2002 £000
(b) Analysis of cash flows from headings netted in the cash flow statement		
Returns on investments and servicing of finance		
Interest received	234	107
Interest paid	(741)	(458)
Net cash outflow for returns on investments and servicing of finance	<u>(507)</u>	<u>(351)</u>
Net cash inflow/(outflow) from capital expenditure and financial investment		
Purchase of tangible fixed assets	(681)	(2,671)
Sale of tangible fixed assets	1,289	574
Sale of trade investments	2,994	2,864
New equity share capital subscribed by minority shareholder in subsidiary	—	250
Loans repaid to associated undertakings	(156)	(29)
Loan repaid to Oskol Electrometallurgical Kombinat	—	(4,135)
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>3,446</u>	<u>(3,147)</u>
Net cash (outflow)/inflow from acquisitions and disposals		
Investment in associated undertakings	(1,085)	(80)
Sale of subsidiaries	—	1,966
Net cash disposed of with subsidiaries	—	(335)
Purchase of subsidiaries	(80)	(1,332)
Net cash acquired with subsidiaries	—	933
Transaction costs written off	—	(317)
Net cash (outflow)/inflow from acquisitions and disposals	<u>(1,165)</u>	<u>835</u>
Financing		
(Decrease)/increase in debt due after one year	(2,151)	2,855
Decrease in debt due within one year	(51)	(5,581)
Net cash outflow in financing	<u>(2,202)</u>	<u>(2,726)</u>



Notes to the Financial Statements *continued*

Year ended 31 December 2003

26. Consolidated cash flow statement – *continued*

(c) Analysis of net debt

	At 1 January 2003 £000	Cash flow of subsidiary £000	Acquisition of subsidiary £000	Other non-cash movements £000	Exchange movements £000	At 31 December 2003 £000
Cash at bank and in hand	5,479	1,509	–	–	(85)	6,903
Bank overdrafts	(1,730)	1,730	–	–	–	–
	<u>3,749</u>	<u>3,239</u>	<u>–</u>	<u>–</u>	<u>(85)</u>	<u>6,903</u>
Debt due after one year	(11,874)	2,151	(1,900)	800	–	(10,823)
Debt due within one year	(1,601)	51	(100)	(800)	–	(2,450)
	<u>(9,726)</u>	<u>5,441</u>	<u>(2,000)</u>	<u>–</u>	<u>(85)</u>	<u>(6,370)</u>

	At 1 January 2002 £000	Cash flow £000	Acquisitions/ disposals of subsidiaries £000	Other non-cash movements £000	Exchange movements £000	At 31 December 2002 £000
Cash at bank and in hand	2,959					5,479
Bank overdrafts	–					(1,730)
	<u>2,959</u>	<u>797</u>	<u>–</u>	<u>–</u>	<u>(7)</u>	<u>3,749</u>
Debt due after one year	–	(2,855)	(6,219)	(2,800)*	–	(11,874)
Debt due within one year	(5,622)	5,581	(1,592)	(19)	51	(1,601)
	<u>(2,663)</u>	<u>3,523</u>	<u>(7,811)</u>	<u>(2,819)</u>	<u>44</u>	<u>(9,726)</u>

* Issue of loan notes – 2004 and 2007 being deferred consideration for acquisition of Fuel Up Limited.

As at 31 December 2003, £3,575,000 (2002 – £1,050,000) of the total cash at bank and in hand balance of £6,903,000 (2002 – £5,479,000) was held on two (2002 – one) fixed deposit accounts. The one being, £575,000 (2002 – £1,050,000) as security for the guarantee of US\$650,000 (2002 – US\$1,300,000), which Wolff Steel Limited has provided in respect of bank borrowings of one of its trade investments (Note 28). The other being, £3,000,000 (2002 – £nil) as security for the guarantee of £3,000,000 (2002 – £nil), which the Company has provided in respect of gas supply of its 33.2% owned associated undertaking, Flenwood Limited's, 60% owned subsidiary (Notes 28 and 31)

Major non-cash transaction

On 9 August 2002 the Company completed the disposal of its steel assets and trading businesses for a total consideration of US\$23,500,000 of which US\$10,500,000 was the swap of further equity shares in Petrol Express Limited. Subsequent to 31 December 2002 the Company accepted for early settlement of US\$5,000,000 for the deferred consideration element of the consideration due at 31 December 2002 of US\$5,500,000.

27. Commitments

At 31 December 2003 the Group had capital commitments of £nil (2002 – £21,000) and Company had no capital commitments at 31 December 2003 and 2002.



28. Contingent liabilities and guarantees

Wolff Steel Limited has provided a guarantee in respect of bank borrowings of one of its trade investments. At 31 December 2003 the maximum liability under the guarantee was US\$650,000 (approximately £363,000) (2002 – US\$1,300,000 – approximately £807,000). Subsequent to 31 December 2003 the guarantee has been reduced to US\$550,000 (approximately £307,000). At 31 December 2003 £575,000 (2002 – £1,050,000) was held on a fixed deposit account as security for this guarantee (Note 26 (c)). Subsequent to 31 December 2003 the fixed deposit account has been reduced to £475,000.

The Company has provided a guarantee to Freeheart Limited (a 100% subsidiary of Petrol Express Limited, which is a 50.01% owned subsidiary of the Company) at 31 December 2003 amounting to £250,000 (2002 – £nil). The guarantee reduces by £100,000 every six months and the balance outstanding at the date these financial statements were signed was £150,000.

The Company has provided a guarantee to a 60% owned subsidiary of one of its 33.2 % owned associated undertaking, Flenwood Limited, in respect of gas supply, at 31 December 2003 amounting to £3,000,000. The guarantee expires on 30 September 2004 (Notes 26 (c) and 31).

The Company along with Petrol Express Limited and Eastern European Income Fund (BVI) Limited (“EEIF”) have received notice of an intended claim from Royal Bank of Scotland plc in relation to legal fees which they maintain are payable by the three companies on an aborted purchase of a chain of 200 petrol stations in the autumn of 2001. The professional fees in respect of which payment is sought are £140,000 plus VAT. Additionally, other advisers to Royal Bank of Scotland plc in that transaction, maintain that their fees of £140,000 plus VAT are similarly payable by the three companies. None of the monies claimed has been paid, because they are subject to possible counterclaim. Petrol Express Limited has obtained pre-action disclosure from the Royal Bank of Scotland plc and its advisers and is currently taking advice as to what counterclaims it may have. Petrol Express Limited has been advised that the potential claim to damages may be substantial. No legal proceedings have been commenced against Petrol Express Limited.

By an agreement dated 27 June 2002, EEIF agreed to indemnify the Company and Petrol Express Limited in relation to such claims and any damages or expenses awarded in favour of Royal Bank of Scotland plc in consideration for the assignment to EEIF of part of any recovery arising from a counterclaim. By a novation agreement dated 1 May 2003, all the benefits and burdens of EEIF under the earlier agreement were agreed to pass to Vaimed Enterprises Limited.

29. Operating lease commitments

At 31 December 2003 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2003 £000	Other 2003 £000	Land and buildings 2002 £000	Other 2002 £000
Leases which expire:				
Within one year	–	6	–	7
Within two to five years	107	100	93	67
Over five years	463	–	242	–
	570	106	335	74



Notes to the Financial Statements *continued*

Year ended 31 December 2003

30. Pension scheme

Contributions to the Group's Directors' pensions are set out in the Directors' Remuneration Report on page 16. The Group contributes between 2.5% and 40% of the gross salary per annum to money purchase schemes for thirteen of its employees. The schemes are defined contribution schemes and the charge to the profit and loss account for the employer's contribution in the year ended 31 December 2003 is £119,000 (2002 – £95,000). There are £nil debtors or creditors relating to the employer's contributions at 31 December 2003 (2002 – £nil).

31. Related party transactions

The Group has taken advantage of the exemption given by FRS 8 from disclosing transactions with related parties that are part of the Group.

During the year the following related party transactions took place:

On 23 June 2003, Rodava Management Limited a company controlled by A B Usmanov, Vice Chairman of the Company, advanced a short term loan of £1,400,000 to the Company. On 30 June 2003 the Company used these funds to acquire an effective 19.9% interest in a UK gas supply business via its 33.2% owned associated undertaking Flenwood Limited and for working capital purposes. On 2 July 2003, the £1,400,000 capital amount of the loan plus interest earned at LIBOR plus 1% of £1,000 was used to subscribe for 538,875 new ordinary shares of 25p each in the Company at a price of 260p per share (Note 21).

During the year ended 31 December 2003 the Company invoiced Meridian Partnership Limited, which is part of Gazprom, £100,000 for financial services. This amount is a debtor in the balance sheets at 31 December 2003 and has been recovered subsequent to the year end. A B Usmanov, Vice Chairman of the Company is also general manager of Gazprominvestholding, which is also part of Gazprom.

During the year ended 31 December 2003, Petrol Express Limited and its subsidiary, Fuel Up Limited purchased for resale £2,905,000 (2002 – £3,813,000) worth of fuels and the Company received £80,000 (2002 – £nil) from Benzol Trading Limited, a company of which D L Woods, an Executive Director of the Company, is a director and shareholder, for administrative services provided. During the year ended 31 December 2002 Petrol Express Limited and its subsidiary Fuel Up Limited paid £51,000 for administrative services and £24,000 of licence fees for office accommodation to British Benzol plc, a company of which D L Woods, an Executive Director of the Company, was a director and shareholder.

At 31 December 2003, the Company was owed £35,000 by Vaimed Enterprises Limited ("Vaimed"), being its 50% share of the funding for the Company's associated undertaking Global Natural Gas Limited. This amount has been recovered from Vaimed subsequent to the year end. Vaimed owns 2.3% of the Company's shares; owns 49.9% of Petrol Express Limited; 50% of Global Natural Gas Limited; and 29.9% of Europe Steel plc.

At 31 December 2003, the Company owed to Oskol Electrometallurgical Kombinat ("OEMK") £nil (2002 – £2,000) and owed to Oskmet AG, a subsidiary of OEMK, £2,000 (2002 – £2,000). At 31 December 2003, Middlesex OEMK plc, a 100% subsidiary of the Company, owed to Oskmet AG £28,000 (2002 – £31,000). Oskmet (UK) Limited, a 100% subsidiary of Middlesex OEMK plc until it was disposed of on 9 August 2002, purchased, for resale, £25,797,000 worth of steel products from OEMK in the period 1 January to 9 August 2002. Oskmet (DRI) Limited, a 100% subsidiary of the Company, until it was disposed of on 9 August 2002, purchased, for resale, £2,676,000 worth of direct reduced iron product from OEMK in the period 1 January to 9 August 2002.

At 31 December 2003, the Company owned a 39.3% (2002 – 39.3%) equity investment in Europe Steel plc. During the year ended 31 December 2003 the Company received £130,000 (2002 – paid to – £21,000) from Europe Steel plc for management services provided and other fees.



31. Related party transactions – continued

At 31 December 2003, the Group owned a 36% (2002 – 36%) equity investment in Afon Tinplate Company Limited. During the year ended 31 December 2003 the Group received £91,000 (2002 – £89,000) from Afon Tinplate Company Limited for management services provided.

At 31 December 2003, the Company owned a 33.2% (2002 – nil%) equity investment in Flenwood Limited. In the period 1 July 2003 to 31 December 2003 the Company received £238,000 (2002 – £nil) and £50,000 (2002 – £nil) from a 60% subsidiary of Flenwood Limited for a facility and management services provided (Notes 26(c) and 28).



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the twentieth Annual General Meeting of Global Natural Energy plc will be held at the offices of Nicholson Graham & Jones, 110 Cannon Street, London EC4N 6AR at 11.00 a.m. on 7 June 2004 for the purposes of considering and, if thought fit, passing the following Resolutions of which Resolutions numbered one to six will be proposed as Ordinary Resolutions and Resolutions numbered seven and eight will be proposed as Special Resolutions.

Ordinary business

1. To approve the Directors' Remuneration Report for the year ended 31 December 2003.
2. To receive and adopt the Directors' Report and the Financial Statements for the year ended 31 December 2003.
3. To re-elect A F Moshiri (Chief Executive) as a Director of the Company.
4. To re-elect J G West (Non-Executive Director and a member of the Audit, Remuneration and Nomination Committees) as a Director of the Company.
5. To reappoint MRI Moores Rowland LLP as auditors and to authorise the Directors to agree their remuneration.

Special business

6. That:

the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80 of the Act) up to an aggregate nominal amount of £912,500 provided that this authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date falling fifteen months from the date of passing of this Resolution, except that the Company may before the expiry of such period make an offer or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority had not expired.

7. That:

the Directors be and they are hereby empowered pursuant to Section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) pursuant to the authority conferred upon them by the preceding Resolution (as varied from time to time by the Company in general meeting) as if section 89 (1) of the Act did not apply to any such allotment provided that such power shall be limited:

- (i) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity security is respectively attributable to the interest of all such holders proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body in any territory or otherwise; and
- (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £141,750;

and shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date falling fifteen months from the date of passing of this Resolution unless renewed or extended prior to or at such meeting except that the Company may, before the expiry of any power contained in this Resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.



8. That:

the Company is hereby granted general and unconditional authority pursuant to Section 166 of the Act to make one or more market purchases (as defined in Section 163 (3) of the said Act) of any of its ordinary shares on such terms and in such manner as the Board of Directors of the Company may from time to time determine; provided that the general authority conferred by this Resolution shall:

- (i) unless previously revoked, varied or renewed, expire fifteen months after the date of passing of this Resolution, or at the conclusion of the Annual General Meeting of the Company to be held in 2005, whichever is earlier;
- (ii) be limited to any number of such ordinary shares not exceeding 567,000 in aggregate;
- (iii) not permit the payment for an ordinary share of less than the nominal value of such share or more than 105% of the average of the middle market quotation for an ordinary share as derived from The Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased (in each case exclusive of expenses and Advance Corporation Tax (if any) payable by the Company); and
- (iv) before its expiry, entitle the Company to enter into any contract for the purchase of its own ordinary shares which might be executed wholly or partly after its expiry and may make purchases of its own shares in pursuant of any such contract; and

this authority shall only be capable of variation, revocation or renewal by the Company in General Meeting by Special Resolution.

By order of the Board

J P Gorman *for*

Company Secretary

27 April 2004

Fifth Floor
100 Avenue Road
London NW3 3HF

Note:

- (i) A member of the Company who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this document for your use. To be valid Forms of Proxy together with the Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such Power of Attorney, must be deposited at the offices of the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than forty-eight hours before the time of the Meeting. Deposit of a Form of Proxy will not prevent a member from attending and voting in person should he/she so wish.
- (ii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 5 June 2004 shall be entitled to attend or vote at the aforesaid Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 5 June 2004 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- (iv) Copies of the Executive Directors' service contracts and Register of Directors' Interests in the share capital of the Company are available for inspection at the registered office of the Company during normal business hours and at the offices of Nicholson Graham & Jones, 110 Cannon Street, London EC4N 6AR from 10.45 a.m. on 7 June 2004 until the close of the Annual General Meeting.



ShareGift

The Company supports ShareGift, an independent charity share donation scheme administered by The Orr Mackintosh Foundation (registered charity number 1052686). Through ShareGift, shareholders who have a small number of shares which might be uneconomic to sell are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise to neither a gain nor a loss for UK Capital Gains Tax purposes and UK taxpayers may also be able to claim income tax relief on such gifts of shares.

Even if the share certificate has been lost or destroyed, the gift can be completed by obtaining a duplicate share certificate from the Company's Share Registrars, Capita Registrars. The service is generally free, however, there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceed £100.

Further details about ShareGift can be obtained from its website at www.sharegift.org or The Orr Mackintosh Foundation, 46 Grosvenor Street, London W1K 3HN (telephone: +44 (0)20 7337 0501).

