1816510

GNE
group plc

Annual Report and Accounts 2008

Contents

Directors and Advisers

Directors
D C Port FCMA – *Non-Executive Chairman*
M R Ratcliffe – *Executive Director*
I Falconer CA (SA) – *Finance Director*
J G West FCA – *Non-Executive Director*
G Warner – *Non-Executive Director*

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Company Number
1816510

Chairman's Statement

2008 has seen the culmination of a strategy that evolved towards the end of 2006, when the Board decided that more shareholder value could be delivered by divesting all of the Group's non-core assets and utilising the cash generated, together with an issue of shares to the vendor to acquire the remaining 49.9% of Petrol Express that GNE did not own. During 2007 GNE was refinanced, the quality of the Group's petrol stations improved, and new sites acquired. Early in 2008, GNE was approached by a number of companies attracted by the quality of Petrol Express's petrol stations and who saw the market potential in the petrol retailing sector. Negotiations continued throughout the summer until the Board received an offer which was considered to reflect a full valuation of the Group's portfolio.

In October 2008 the Company completed the disposal of GNE's major operating subsidiary Petrol Express Limited for £51.66 million which led to an increase in GNE's net assets of around 53% to £36.8 million. The Board believes this to have been a significant achievement especially in the light of the growing financial turmoil in global markets. It should also be noted that although still trading at a discount to net assets GNE's share price has substantially outperformed the FTSE 100, FTSE and AIM 100 indices.

On Friday, 13 March 2009 Norcliffe Investments Limited ("Norcliffe") made an offer of 190 pence in cash for each GNE ordinary share, valuing the Company at £26.4 million (the "Offer"). An offer document was posted to Shareholders on 21 March 2009 and they have an opportunity to decide whether or not to accept this offer. For the reasons set out in the announcement made to the market on 13 March 2009 and sent to Shareholders, the Board has recommended GNE Shareholders accept the Offer. On 27 March 2009, Norcliffe announced that its Offer had become wholly unconditional.

I would like to take this opportunity to thank all of the staff and Directors of GNE and its subsidiaries for their hard work and dedication during the past year.

David Port
Chairman

8 April 2009

Chief Executive's Review

The results for 2008 reflect the sale of Petrol Express Limited ("Petrol Express"), the Group's main trading subsidiary. Turnover for the year was £168,193,000 and profit before tax £14,566,000. Net assets per share was 261 pence.

In October 2008, the Company sold Petrol Express to Leopard No. 2 Investments Limited for a consideration of £51.66 million. This represented a profit of £17,338,000. Until the time of the disposal Petrol Express had been trading above market expectations. Fuel volumes were down in line with industry trends due to the high price of fuel through most of 2008 but profits increased due to focused cost controls and improved margins.

Property Investments

The other 50% shareholding in TRS Developments Limited, which the Group did not own was acquired by the Company in September 2008. The five properties within this portfolio have been re-valued which resulted in a write down of £1,817,000. Two sites were fully let during 2008 and once the rent free periods expire in 2009 a rental income in excess of £100,000 per annum will be received. All borrowings on these properties were repaid in early 2009.

The three remaining properties have the benefit of planning permission but until pre-lets or pre-sales have been agreed there are no plans to start development work.

The joint venture agreement for the Hampton Hill site, Rico Partners LLP, is still proceeding and it is hoped this will be completed and fully let in 2009. One unit has a major retailer already signed up and the two remaining units are still being marketed.

The benefit/liabilities for the Eastway site were transferred to the Company by Petrol Express. Negotiations are under way with The London Development Agency for final compensation for the loss of this site and its business.

Fuel Services

Fuel Up Limited and National and European Fuel Services Limited have traded profitably in the year but volumes have fallen away in the last quarter as customers have felt the effect of the general economic climate. Margins in this business have however been better ensuring budgets were met at the end of the year.

Conclusion

The share price at 31 December 2008 closed 100% above the market closing at 87.5p on 31 December 2007.

Going forward in 2009 the Board have recommended a cash Offer for the Company at 190p per share. This Offer went unconditional on 27 March.

I would like to thank my fellow Directors and all the staff in GNE and its former subsidiaries for their support and efforts during my time as a director and latterly the Chief Executive of GNE. I would also like to thank our shareholders for their loyalty over many years.

Dennis Woods
Chief Executive

8 April 2009

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 2008.

Principal activities and business review

The principal activity of the Group during the year under review was that of owning and operating of petrol stations and fuel card businesses until 29 October 2008, when the petrol station operating subsidiary was disposed of and since then it is an investing company.

Further details of the business and future developments are given in the Chairman's Statement and Chief Executive's Review on pages 3, 4 and 5, respectively.

Results and dividend

The consolidated profit after taxation for the year amounted to £13,341,000 (2007 – £872,000). A final dividend for 2007 of 1.0p per share was paid on 18 July 2008 to shareholders on the register on 20 June 2008. No 2008 final dividend is proposed.

Buy back of shares

On 15 January 2009, the Company announced that it had purchased 189,000 ordinary shares of 25p each for cancellation. The shares were purchased at 170p each.

Annual General Meeting

Resolutions will be proposed at the Annual General Meeting as set out in the formal notice on pages 55 to 58. The following explanatory notes relate to Resolutions numbered 5 to 12, which will constitute Special Business:

(i) Resolution 5 – It is proposed that every 1,000 existing shares of 25 pence be consolidated and redesignated as 1 ordinary share of £250 each. Unless your holding of ordinary shares is exactly divisible by 1,000, you will be left with a fractional entitlement to the redesignated ordinary shares. These fractional entitlements will be aggregated and sold in the market on your behalf and, where the amount of the proceeds is £5 or more, the proceeds of sale will be returned to you, in proportion to your fractional entitlement, after payment of Stamp Duty Reserve Tax (currently 0.5%). Proceeds of less than £5 will be retained by the Company and used to partly offset the cost of undertaking the reorganisation of the share capital of the Company (the "**Reorganisation**").

New share certificates will be issued following the Reorganisation representing the new ordinary shares (the "**New Ordinary Shares**"). Following the Reorganisation, share certificates in respect of the ordinary shares, will no longer be valid. Subject to Resolution 5 being passed, shareholders will still be able to trade in New Ordinary Shares during the period between the passing of the Resolution and the date on which shareholders receive share certificates in respect of the New Ordinary Shares. During this period, all trades will be matched against the Company's share register. If you are in doubt with regard to your current shareholding in New Ordinary shares or have any queries on the Reorganisation you should contact the Company's registrars – Capita Registrars, The Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

The New Ordinary Shares will have the same rights as those currently accruing to the ordinary shares under the Company's articles of association, including those relating to voting and entitlement to dividends.

(ii) Resolution 6 – The Companies Act 1985 provides that the Directors may not issue new shares of the Company unless authorised to do so by the shareholders. The Directors currently have a general authority to allot unissued shares of the Company, but this authority expires on the conclusion of the Annual General Meeting. Resolution 6 is to be proposed as an Ordinary Resolution to renew the Directors' authority and to permit the issue of ordinary shares up to an aggregate nominal value of £1,158,772, which represents approximately one third of the present issued share capital. This authority shall expire (except in respect of commitments which have been made but not fulfilled) on the conclusion of the Annual General Meeting of the Company to be held in 2010. The granting of this authority will ensure that the board is able to maintain a degree of flexibility for the issue of shares without the need to obtain shareholders' consent on each occasion. The Directors have no present intention of exercising this authority.

(iii) Resolution 7 – If new shares are to be issued by the Company for cash, the Companies Act requires that the new shares first be offered to existing shareholders in proportion to their holdings, unless shareholders otherwise agree. This Special Resolution is to be proposed for the renewal of the Directors' current power to allot relevant securities for cash without first offering those shares to existing shareholders in proportion to their existing shareholdings and is limited to the issue of shares in connection with rights issues and otherwise up to a maximum nominal value of £347,631 (representing approximately 10.0% of the nominal value of the Company's issued share capital). Such power shall expire (except in respect of commitments which have been made but not fulfilled) on the conclusion of the Annual General Meeting of the Company to be held in 2010.

(iv) Resolution 8 – The Company's Articles of Association permits 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.

Accordingly, Resolution 8 is to be proposed as a Special Resolution to renew and extend the general authority of the Directors to purchase up to a maximum of £521,447 nominal value ordinary shares in the market (representing approximately 15% of the Company's issued ordinary share capital) at or between the minimum and maximum prices specified in Resolution 8. 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 (except in respect of commitments which have been made but not fulfilled) on the conclusion of the Annual General Meeting to be held in 2010, where the Directors anticipate seeking its renewal. This Resolution represents the renewal of a similar Resolution approved at the 2008 Annual General Meeting.

(v) Resolution 9 – It is proposed that admission to trading on AIM (a market operated by the London Stock Exchange plc) of the issued ordinary shares of 25 pence each in the capital of the Company be cancelled (the "**Cancellation**"). In accordance with Rule 41 of the AIM Rules, the Company needs to obtain the consent of 75% of the shareholders in order to Cancel and as such Resolution 9 is proposed as a Special Resolution.

(vi) Resolution 10 – Following the Cancellation, it will no longer be beneficial or necessary for the Company to remain as a public company and as such Resolution 10 is proposed as a Special Resolution which, if passed, will enable the Company to re-register as a private company to avoid having to comply with the extra legal obligations of a public company as opposed to that of a private company.

(vii) Resolutions 11 and 12 – In order to re-register as a private company, the Company will need to amend its memorandum and articles of association to reflect the new company name 'GNE Group Limited' and to bring the memorandum and articles of association in line with that of a private company rather than a public company. These Resolutions are proposed as Special Resolutions and must be passed in order for the company to re-register as a private company.

Directors

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

D C Port FCMA – *Chairman*
D L Woods – *Chief Executive* (resigned 31 March 2009)
I Falconer CA (SA) – *Finance Director*
J G West FCA – *Non-Executive Director*
C H Glass – *Non-Executive Director* (appointed 26 February 2008 and resigned 31 March 2009)
M R Ratcliffe – *Non-Executive Director* (appointed Non-Executive Director 15 December 2008, Executive Director as from 31 March 2009).

Graham Warner was appointed as a Non-Executive Director on 31 March 2009.

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

Martyn Ratcliffe – Executive Director (appointed as a Non-Executive Director on a fixed term to expire at the Annual General Meeting to be held in 2012 terminable on three month's notice and then as Executive Director on 31 March 2009).

Graham Warner – Non-Executive Director (appointed 31 March 2009).

Jimmy West will not seek re-election.

Details of the Directors are as follows:

Martyn Ratcliffe, aged 47, Executive Director. He is executive chairman of Microgen plc. Prior to joining Microgen plc in 1998, he was senior vice-president and general manager of Dell Computer Corporation, responsible for Europe, Middle East and Africa region.

Ian Falconer, aged 51, 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.

Non-Executive Directors

David Port, aged 61, Non-Executive Chairman. He has over twenty years experience in the energy sector. He was formerly chief executive of British Fuels Limited, a major distributor of coal, oil and gas throughout the United Kingdom and Northern Ireland. Currently he is non-executive chairman of ATH Resources plc, an opencast coal mining business, non-executive director of WMT Limited, a nuclear waste consultancy business and nonexecutive chairman of Leach Colour Limited a graphical reproduction company.

Jimmy West, aged 61, 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 of a number of public and private companies.

Graham Warner, aged 58, Non-Executive Director. Graham Warner has been Finance Director of JO Hambro Capital Management Group Limited since June 2000. Before joining JO Hambro Capital Management Group Limited, he was employed by Mercury Asset Management (later Merrill Lynch Investment Managers), where he held senior roles in finance and accounting. Prior to that, he worked for both the National Bank of Kuwait and HSBC in financial management and reporting roles. He is a Chartered Accountant and holds an MBA from Cranfield University.

Directors' Interest

The beneficial interests of the Directors at 31 December 2008 in the shares of the Company were as follows:

	31 December 2008 Ordinary shares of 25p each	1 January 2008 Ordinary shares of 25p each
D C Port	**16,000**	6,000
D Woods	**112,500**	79,500
I Falconer	**1,166**	1,166
J G West	**24,866**	24,866
M R Ratcliffe	**2,119,927**	-

Note 1: 10,000 of the shares disclosed under J G West are held by his wife.

On 3 April 2009, M R Ratcliffe sold his 2,119,927 ordinary shares to Norcliffe Investments Limited. All the other Directors have accepted the Offer from Norcliffe Investments Limited in respect of their own beneficial interests and holdings.

Share options

The options over ordinary shares cancelled during the year ended 31 December 2008 under the Executive Share Option Scheme are disclosed in the Corporate Governance Report on page 19 and in note 23 to the financial statements.

Transactions with Directors

Details of contracts with related parties are set out in note 30 to the financial statements.

Directors and officers liability insurance

During the period, the Company and Group continued to purchase liability insurance for Directors and officers as permitted by the Companies Act 1985.

Environmental matters

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

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.

Financial risk management

The Company and the Group's operations expose them to a variety of financial risks that include the effects of changes in market prices of commodities, credit risks, liquidity risk and interest rate risk. The Company and Group have in place a risk management programme that seeks to limit the adverse effect on the financial performance of the Company and Group by monitoring levels of debt finance and the related finance costs. The Group had in place an interest rate cap protecting the Group from excessive interest rates.

Given the size of the Company and Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The Company and Group's finance departments implement the policies set by the Board of Directors.

Price risk

The Company and Group are exposed to commodity price risk as a result of their operations. Given the size of the Company and Group, the cost of managing exposure to commodity price risk is considered to exceed the potential benefits. The Directors will revisit the appropriateness of this policy should the Company and Group's operations change in size or nature.

Credit risk

The Company and Group have implemented policies that require appropriate credit checks on potential customers before new accounts are accepted. Where debt finance is utilised, this is subject to pre-approval by the Board of Directors and such approval is limited to financial institutions with a high rating.

A credit insurance policy is in place to minimise the effects of bad debts.

The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

Liquidity risk

The Company and Group actively maintained a mixture of long-term and short-term debt finance that was designed to ensure the Company and Group had sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The Company and Group have both interest bearing assets and liabilities. Interest bearing assets include only cash balances that earn interest at a fixed rate over LIBOR.

The Company and Group held debt at a fixed rate over LIBOR, however the Company and Group had in place an interest rate cap to ensure the certainty of these future cash outflows.

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 2008 were one day (2007 – twenty two days). The Company had no trade creditors at the year end (2007 – none).

Substantial shareholdings

On 6 April 2009 the Company was aware of the following interests in 3% or more of the Company's ordinary share capital:

	Number of Ordinary shares	%
Norcliffe Investments Limited	**7,015,503**	50.5
Lord Alliance	**627,165**	4.5
Marlborough Special Situations Fund	**600,000**	4.3

Auditors

Mazars LLP 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.

I Falconer CA (SA)
Company Secretary

4 Lancaster Court
Coronation Road
Cressex Business Park
High Wycombe
Buckinghamshire HP12 3TD

8 April 2009

Corporate governance

There is a commitment to high standards of corporate governance throughout the Group and the board intend so far as practicable given the Company's size, to support the principles set out in Section 1 of the Combined Code ("the Code") that was formally adopted in July 2003 by the Financial Services Authority, as modified by the recommendations of the Quoted Companies Alliance. However, as the Company is no longer fully listed it is not therefore required to comply with the Code. The following represent the principal departures from the provisions of the Code.

No formal training is provided to Directors on the first occasion that they are appointed to the Board. If the Company considers it necessary to provide the new Director with formal training, appropriate arrangements will be made. 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.

Board of Directors

The Company is controlled through the Board of Directors, which during the majority of the year ended 31 December 2008 comprised of three Executive Directors and two Non-Executive Directors one of whom is considered by the Board to be independent. J G West is the senior Non-Executive Director. The biographies of all the Directors are set out on page 9. The Chairman is primarily responsible for the efficient working of the Board and 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.

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. No Executive Directors have 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.

Remuneration Committee

As at the date of signing these Annual Report and Accounts 2008, the Remuneration Committee comprises G Warner as Chairman, since his appointment as a Non-Executive Director on 31 March 2009, M R Ratcliffe, since his appointment as an Executive Director on 31 March 2009, and D C Port, since his appointment as Non-Executive Chairman on 31 March 2009.

Up to 31 March 2009, the Remuneration Committee comprised J G West, Chairman, C H Glass since his appointment on 26 February 2008 and M R Ratcliffe since his appointment on 15 December 2008.

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 Chairman 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 15 to 19 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. The Chairman of the Company, and the Chairman of the Audit, Remuneration and Nominations Committees attend the Annual General Meeting and are available to attend enquiries.

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, 4 and 5, respectively. The Directors' responsibilities for the financial statements are described on page 20.

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 in accordance with "Internal Control: Guidance for Directors" (the Turnbull Guidance). The Board has considered and reviewed 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 and Finance Director.

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.

Annual budgets are prepared for each of the operating companies, which are reviewed and approved, and then compared against actuals.

All material new contracts are reviewed and approved before they are signed. 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. The Group's policies and procedures are regularly reviewed and approved.

The Group engaged the services of a firm of independent stock auditors, who, with no advance notification, routinely visited the petrol stations and undertook physical verification of dry stocks. The

Group received written reports as to their findings and any material discrepancies were investigated by the management. The accounting and back office functions of the Group's main operating subsidiary were contracted out to an independent provider of accounting services. The Board had, after considering these arrangements, the size of the Group and the nature of its operations, concluded that it would not have been cost beneficial to have an internal audit function.

Audit Committee

The Audit Committee comprises solely Non-Executive Directors. The senior Non-Executive Director, J G West, is the Committee Chairman, and serves with G Warner since his appointment as Non-Executive Director on 31 March 2009 and D C Port since his appointment as Non-Executive Chairman on 31 March 2009. The Committee meets at least once a year. At the invitation of the Committee Chairman, the external auditors, Chairman, Chief Executive, Finance Director and other Executive Directors attend the meeting. The Committee overviews the monitoring of the Group's internal controls, accounting policies and financial reporting and other matters as may be required by the Board. J G West is a fellow of a professional accounting body and has recent and relevant financial experience.

Nominations Committee

The Nominations Committee comprises M R Ratcliffe as Chairman of the Committee, since his appointment as an Executive Director on 31 March 2009, D C Port since his appointment as Non-Executive Chairman on 31 March 2009 and G Warner since his appointment as Non-Executive Director on 31 March 2009. This Committee discusses and agrees any proposed nomination, which is then put forward for approval by the Board.

Report of the Remuneration Committee

This Report does not constitute a Directors' Remuneration Report in accordance with The Directors' Remuneration Report Regulations 2002, which do not apply to the Company as its shares are traded on AIM.

Statement of Compliance

The Company has applied the principles relating to Directors' Remuneration as described below.

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 during the year ended 31 December 2008 were J G West (Committee Chairman), C H Glass since his appointment as a Non-Executive Director on 26 February 2008 and M R Ratcliffe since his appointment as a Non-Executive Director on 15 December 2008.

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

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 and pension contributions and there were 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, until the scheme was cancelled and was to be replaced by a new long term incentive plan. Bonus payments are awarded on a discretionary basis, and are determined by the Remuneration Committee in respect of performance.

The Committee believes that performance related remuneration is an essential motivation to management and staff, and its 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, up until the scheme was cancelled and was to be replaced by a new long term incentive plan, the Committee believe 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.

Service agreements

The Company has service agreements with its Executive Directors of not more than twelve months. The service agreements 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 18).

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 service agreements currently in place for Directors on 31 December 2008 are as follows:

	Annual salary £000	Annual benefits* £000	Annual bonus £000	Date of contract	Unexpired term	Notice period	Provision for compensation
D C Port (Non-Executive from 31 March 2009)	**100**	**3**	**-**	**24 January 2008**	**-**	**12 months**	**-**
D L Woods (resigned 31 March 2009)	**241**	**18**	**-**	**24 January 2008**	**-**	**12 months**	**-**
I Falconer	**133**	**16**	**-**	**24 January 2008**	**-**	**12 months**	**-**

* Annual benefits consist primarily of 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.

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

	Annual fee £000	Term of appointment	Expires
J G West	**35**	**3 years**	**2010**
C H Glass (resigned 31 March 2009)	**25**	**3 years**	**2011**
M R Ratcliffe (Executive Director from 31 March 2009)	**25***	**3 years**	**2012**

* Mr Ratcliffe has agreed to waive his annual fee for the year ended 31 December 2008.

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	Compensation on cancellation of share options £000	Bonus £000	Pension contributions £000	Benefits in kind £000	Total year ended 31 December 2008 £000	Total year ended 31 December 2007 £000
D C Port	**99**	**96**	**120**	**–**	**3**	**318**	101
D L Woods – resigned 31 March 2009	**258**	**258**	**103**	**19**	**–**	**638**	259
I Falconer	**143**	**125**	**63**	**19**	**2**	**352**	149
J G West(1)	**52**	**–**	**–**	**–**	**–**	**52**	30
C H Glass(2) – appointed 26 February 2008 and resigned 31 March 2009	**33**	**–**	**–**	**–**	**–**	**33**	–
M R Ratcliffe – appointed 15 December 2008	**–**	**–**	**–**	**–**	**–**	**–**	–
Lord Chandos(3) – resigned 6 November 2007	**–**	**–**	**–**	**–**	**–**	**–**	21
	585	**479**	**286**	**38**	**5**	**1,390**	560

Notes

(1) J G West Director's fees for the year ended 31 December 2008 of £47,000 (2007 – £26,000) have been invoiced by Jimmy West Associates Limited, a company of which he is a director and shareholder and the balance of £5,000 (2007 – £4,000) has been paid as salary under the PAYE system. The additional fees for the year ended 31 December 2008 are for the additional work performed during the year.

(2) C H Glass Director's fees of £21,000 for the period ended 31 December 2008 have been paid as salary under the PAYE system and the balance of £13,000 has been invoiced by Springboard4Asia Limited, a company of which he is a director and shareholder. The additional fees for the year ended 31 December 2008 are for the additional work performed during the year.

(3) Lord Chandos Director's fees for the period up to 6 November 2007, the date he resigned as a Non-Executive Director, of £21,000 have been invoiced by Scopetime Limited a company of which he is a director but not a shareholder.

Details of individual emoluments and compensation *continued*

The total emoluments, including pension contributions, of the highest paid Director, D L Woods, were £638,000 (2007 – £259,000).

Benefits receivable consist of private healthcare cover. No expense allowances or compensation for loss of office were paid in the year.

Pensions

	Gross salary p.a. on which pension contributions made £000	% of gross salary	Contributions paid in the year ended 31 December 2008 £000	Contributions paid in the year ended 31 December 2007 £000
D L Woods	241	10	19	7
I Falconer	133	15	19	19

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

Share option schemes are designed to reward executives for the delivery of growth in the Company's share price. On the disposal of Petrol Express Limited, it was the Company's intention to repay a significant part of the profit on disposal by way of a special dividend of 150p per share to shareholders. Share option holders were not, in some cases, able to exercise their options and enjoy the benefits that would normally be expected to accrue to them. It was therefore decided by the remuneration committee, that in order to treat share option holders fairly and to enable the Company to implement a new long term incentive plan to reflect the position of the Company following the disposal, on completion all current options over ordinary shares were surrendered in return for the payment of an amount equal to the option gain calculated as the difference between the option exercise price and 267p (being the estimated value per ordinary share of the Company as a result of the disposal and after costs but prior to the special dividend), subject to a maximum payment per option of 150p. To the extent that the option gain exceeded 150p, it was intended that those share option holders who remained as employees of the Company would be granted new options under the new long term incentive plan and those share option holders who were employed by Petrol Express Limited were granted a cash bonus equivalent.

Share options *continued*

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

	Outstanding 1.1.08	Cancelled during year	Outstanding 31.12.08	Exercise price	Date of grant	First date of exercise	Final date of exercise
D C Port	64,000	(64,000)	–	102.5p	16.5.07	16.5.10	15.5.17
D L Woods	108,053	(108,053)	–	40p	13.9.02	13.9.05	12.9.12
D L Woods	64,000	(64,000)	–	102.5p	16.5.07	16.5.10	15.5.17
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
I Falconer	43,000	(43,000)	–	102.5p	16.5.07	16.5.10	15.5.17

The consideration for the grant of each of the above options was £1.00. See note 23 on pages 50 and 51 as to the cancellation of the share options during the year ended 31 December 2008.

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.

The market price of the Company's ordinary shares at 31 December 2008 was 175p and the highest and lowest market prices during the year were 190p and 87.5p respectively.

By order of the Board.

J G West FCA
Remuneration Committee Chairman

8 April 2009

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. In preparing these financial statements the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and 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 that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to Auditor

(a) so far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware; and

(b) they have taken all the steps that they ought to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditors' Report to the Shareholders of GNE Group plc

We have audited the Group and company financial statements (the "financial statements") of GNE Group plc for the year ended 31 December 2008, which comprise the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements, Group and Company statement of changes in shareholders' equity and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman and Chief Executive's Statements, the Directors' Report and the 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 opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other

Independent Auditors' Report to the Shareholders of GNE Group plc *continued*

irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP
Chartered Accountants
Registered Auditors

Tower Bridge House
St Katharine's Way
London E1W 1DD

8 April 2009

Note: The maintenance and integrity of the GNE Group plc's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

Year ended 31 December 2008

	Note	2008 £000	2007 £000
Revenue			
– continuing operations		**8,376**	8,757
– discontinued operations		**159,817**	157,902
	4	**168,193**	166,659
Cost of sales			
– continuing operations		**(7,988)**	(8,335)
– discontinued operations		**(156,116)**	(154,496)
		(164,104)	(162,831)
Gross profit		**4,089**	3,828
Administrative expenses			
– continuing operations – includes exceptional items of £(2,757,000)Dr (2007 – £133,000)Cr	4	**(3,921)**	(753)
– discontinued operations – includes exceptional items of £nil (2007 – £167,000)Cr	4	**(2,098)**	(1,607)
– acquisition of TRS Developments Limited		**(38)**	-
		(6,057)	(2,360)
Operating (loss)/profit			
– continuing operations		**(3,533)**	(165)
– discontinued operations		**1,603**	1,633
– acquisition of TRS Developments Limited		**(38)**	-
Group operating (loss)/profit	4,5	**(1,968)**	1,468
Gain on sale of subsidiary		**17,338**	-
Share of associated undertakings' (losses)/profits		**(9)**	87
Share of operating loss in joint ventures		**(32)**	(3)
Gain on sale/write off non-current assets		**1**	17
Finance costs	6	**(1,079)**	(642)
Finance income	7	**315**	101
Profit/(loss) before taxation	4		
– continuing operations		**(3,281)**	(183)
– discontinued operations		**17,897**	1,211
– acquisition of TRS Developments Limited		**(50)**	-
		14,566	1,028
Taxation	8		
– continuing operations		**(47)**	(58)
– discontinued operations		**(1,178)**	(98)
		(1,225)	(156)
Profit/(loss) after taxation and for the year			
– continuing operations		**(3,328)**	(241)
– discontinued operations		**16,719**	1,113
– acquisition of TRS Developments Limited		**(50)**	-
		13,341	872
Earnings/(loss) per share			
Basic – continuing operations	24	**(24)p**	(1.7)p
– discontinued operations	24	**119p**	8.0p
		95p	6.3p
Diluted – continuing operations	24	**(24)p**	(1.7)p
– discontinued operations	24	**119p**	7.9p
		95p	6.2p

Profit arising in the year is attributable to equity holders of the parent.

The notes on pages 29 to 54 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 £000	2007 £000
Non-current assets			
Goodwill	10	**550**	2,012
Investment properties	11	**1,708**	–
Properties, plant and equipment	12	**–**	42,485
Trade investments	13	**4**	4
Investment in associated undertakings	13	**–**	9
Joint venture undertakings	15		
– share of assets		**471**	1,241
– share of liabilities		**(499)**	(1,267)
Total non-current assets		**2,234**	44,484
Current assets			
Inventories	16	**67**	3,896
Trade and other receivables	17	**1,056**	3,875
Cash and cash equivalents		**36,677**	2,605
Total current assets		**37,800**	10,376
Current liabilities			
Financial liabilities – borrowings		**(1,234)**	(204)
Trade and other payables	18	**(980)**	(13,210)
Current tax liabilities		**(1,047)**	(200)
Total current liabilities		**(3,261)**	(13,614)
Net current assets/(liabilities)		**34,539**	(3,238)
Non-current liabilities			
Financial liabilities – borrowings	19,20	**–**	(13,376)
Deferred tax liabilities	21	**–**	(3,839)
Total non-current liabilities		**–**	(17,215)
Net assets		**36,773**	24,031
Equity			
Share capital	23	**3,523**	3,523
Share premium account		**13,382**	13,382
Revaluation reserve		**–**	4,855
Share option reserve		**–**	401
Retained earnings		**19,868**	1,870
		36,773	24,031

The notes on pages 29 to 54 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 8 April 2009.

Signed on behalf of the Board of Directors: I Falconer, *Finance Director.*

Company Balance Sheet

As at 31 December 2008

	Note	2008 £000	2007 £000
Non-current assets			
Investments – trade and associated undertakings	13	**4**	4
Investments – subsidiaries	14	**750**	14,337
Total non-current assets		**754**	14,341
Current assets			
Trade and other receivables	17	**1,136**	2,996
Cash and cash equivalents		**35,778**	556
Total current assets		**36,914**	3,552
Current liabilities			
Trade and other payables	18	**(520)**	(260)
Current tax liabilities		**(928)**	–
Total current liabilities		**(1,448)**	(260)
Net current assets		**35,466**	3,292
Net assets		**36,220**	17,633
Equity			
Share capital	23	**3,523**	3,523
Share premium account		**13,382**	13,382
Share option reserve		**–**	401
Retained earnings		**19,315**	327
		36,220	17,633

The notes on pages 29 to 54 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 8 April 2009.

Signed on behalf of the Board of Directors: I Falconer, *Finance Director.*

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Note	2008 £000	2007 £000
Cash inflow from operating activities	25	**914**	392
Income tax paid		**(131)**	(172)
Payment for cancellation of share options		**(634)**	–
Net cash generated from operating activities		**149**	220
Investing activities			
Finance income		**107**	72
Proceeds on sale of associated undertaking		–	997
Associated undertaking's share buy backs		–	1,344
Purchase of property, plant and equipment		**(869)**	(2,422)
Proceeds on sale of property, plant and equipment		**1,068**	790
Loan repaid by associated undertaking		–	132
Acquisition of subsidiary including assumption of debt, net of cash acquired		**(1,313)**	(8,374)
Disposal of subsidiary, including repayment of debt, net of cash disposed of		**34,796**	–
Net cash generated/(used) in investing activities		**33,789**	(7,461)
Financing activities			
Repayment of borrowings		**(1,279)**	(8,604)
Drawdown of borrowings		**2,445**	15,590
Proceeds on issue of shares		–	100
Finance costs		**(895)**	(556)
Dividend paid		**(137)**	(37)
Payment of debt issue costs		–	(107)
Net cash generated in financing activities		**134**	6,386
Net increase/(decrease) in cash and cash equivalents		**34,072**	(855)
Cash and cash equivalents at beginning of year		**2,605**	3,460
Cash and cash equivalents at end of year		**36,677**	2,605
The net cash flows for operating, financing and investing activities for discontinued operations were:			
Net operating cash flows		**801**	883
Net investing cash flows		**(633)**	(9,903)
Net financing cash flows		**170**	7,786
		338	(1,234)

The notes on pages 29 to 54 form part of these financial statements.

Company Cash Flow Statement

Year ended 31 December 2008

	Note	**2008 £000**	2007 £000
Cash outflow from operating activities	25	**(1,195)**	(855)
Payment for cancellation of share options		**(634)**	–
Net cash used in operating activities		**(1,829)**	(855)
Investing activities			
Finance income		**63**	2
Proceeds on sale of associated undertaking		**–**	997
Associated undertaking's share buy backs		**–**	1,344
Loan repaid by associated undertaking		**–**	132
Funding recovered/(advanced) to subsidiary undertakings		**14,947**	(1,390)
Acquisition of subsidiary		**(105)**	–
Dividends from subsidiaries		**22,284**	–
Net cash generated in investing activities		**37,189**	1,085
Financing activities			
Proceeds on issue of shares		**–**	100
Finance costs		**(1)**	–
Dividend paid		**(137)**	(37)
Net cash (used)/generated in financing activities		**(138)**	63
Net increase in cash and cash equivalents		**35,222**	293
Cash and cash equivalents at beginning of year		**556**	263
Cash and cash equivalents at end of year		**35,778**	556

The notes on pages 29 to 54 form part of these financial statements.

Statement of Changes in Shareholders' Equity

Year ended 31 December 2008

Group	Share capital £000	Share premium £000	Revaluation reserve £000	Share option reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2007	3,460	13,345	4,224	370	927	22,326
Gain on revaluation of properties	–	–	718	–	–	718
Related deferred tax	–	–	54	–	–	54
	–	–	772	–	–	772
Profit for the year	–	–	–	–	872	872
Transfer revaluation reserve on disposal of properties in the year	–	–	(141)	–	141	–
Total recognised income and expense	–	–	631	–	1,013	1,644
Share-based payments	–	–	–	31	–	31
Payment of dividend (0.5p per ordinary share)	–	–	–	–	(70)	(70)
Issue of ordinary shares under employee share option scheme	63	37	–	–	–	100
Balance at 1 January 2008	**3,523**	**13,382**	**4,855**	**401**	**1,870**	**24,031**
Deficit on revaluation of properties	–	–	**(51)**	–	**51**	–
Profit for the year	–	–	–	–	**13,341**	**13,341**
Transfer revaluation reserve on disposal of properties in the year	–	–	**(168)**	–	**168**	–
Disposal of subsidiary	–	–	**(4,636)**	–	**4,636**	–
Total recognised income and expense	–	–	**(4,855)**	–	**18,196**	**13,341**
Share-based payments	–	–	–	**176**	–	**176**
Payment of dividend (1.0p per ordinary share)	–	–	–	–	**(141)**	**(141)**
Cancellation of share options	–	–	–	**(634)**	–	**(634)**
Transfer of debit balance on share option reserve to retained earnings	–	–	–	**57**	**(57)**	–
Balance at 31 December 2008	**3,523**	**13,382**	–	–	**19,868**	**36,773**

Company	Share capital £000	Share premium £000	Share option reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2007	3,460	13,345	370	800	17,975
Loss for the year and total recognised income and expense	–	–	–	(403)	(403)
Share-based payments	–	–	31	–	31
Payment of dividend (0.5p per ordinary share)	–	–	–	(70)	(70)
Issue of ordinary shares under employee share option scheme	63	37	–	–	100
Balance at 1 January 2008	**3,523**	**13,382**	**401**	**327**	**17,633**
Profit for the year and total recognised income and expense	–	–	–	**19,186**	**19,186**
Share-based payments	–	–	**176**	–	**176**
Payment of dividend (1.0p per ordinary share)	–	–	–	**(141)**	**(141)**
Cancellation of share options	–	–	**(634)**	–	**(634)**
Transfer of debit balance on share option reserve to retained earnings	–	–	**57**	**(57)**	–
Balance at 31 December 2008	**3,523**	**13,382**	–	**19,315**	**36,220**

Revaluation reserve is the aggregate unrealised gain, net of related deferred tax, on revaluing the properties. Share option reserve is the aggregate expense recognised for the fair value of share options granted to employees after the vesting period of the share options.

1. General Information

The Company is a public company registered in England and Wales under the Companies Act 1985. The address of the registered office is 4 Lancaster Court, Coronation Road, Cressex Business Park, High Wycombe, Buckinghamshire HP12 3TD. The nature of the Company's operations is described in the Directors' Report attached hereto.

2. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through the income statement.

The Group and Company have not applied the following IFRSs and IFRICs that are applicable to the Group and Company and that have been issued but are not yet effective.

IAS 23, Borrowing Costs, revised 2007 (effective 1 January 2009)
IAS 27, Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009)
IAS 28, Investment in Associates, revised 2008 (effective 1 July 2009)
IAS 31, Interests in Joint Ventures, revised 2008 (effective 1 July 2009)
IAS 32, Financial Instruments: Presentation, revised 2008 (effective 1 January 2009)
IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all operating subsidiaries. No income statement is presented for the Company as permitted by Section 230 of the Companies Act 1985.

Company income statement

The Company profit after tax for the year was £19,186,000. The Group is exempt from publishing a Company income statement.

Acquisitions

On the acquisition of a subsidiary, fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Investment properties

Investment property is property that is held to earn rentals and/or capital appreciation. The Group has applied the fair value model and as such the investment properties held are stated at their fair values at the balance sheet date. Gains and losses arising from changes in their fair values are included in the income statement in the period in which they arise.

Goodwill

Goodwill is regarded as an intangible fixed asset and arises on the acquisition of a business. It is valued as the difference between the fair value of the consideration paid and the fair value of assets and liabilities acquired. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Accounting policies – *continued*

Properties, plant and equipment

All properties, plant and equipment are recorded initially at cost. At subsequent reporting dates all such properties are revalued at fair value. The profit or loss on disposal of revalued properties is included by reference to net book value and any realised revaluation surplus is transferred to the income statement. A revaluation increase on historical cost is recognised in the revaluation reserve. A revaluation decrease below historical cost arising from a clear consumption of economic benefit is recognised in the income statement. A revaluation decrease is only recognised in the revaluation reserve if the revalued amount of the properties is below historical cost and the recoverable amount can be shown to exceed the revalued amount. The Directors review the carrying value of property, plant and equipment with sufficient regularity to ensure the carrying amount does not differ materially from the fair value.

Depreciation

Depreciation is provided on all properties, plant and equipment except freehold land and is calculated at rates to write-off the cost or valuation, less residual value, of each asset evenly over its expected useful life as follows:

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

Trade investments

Listed trade investments are initially recognised at cost and subsequently revalued at market value.

Investments in associated undertakings

In the consolidated accounts, shares in associated undertakings are consolidated using the equity method. In the consolidated income statement the Group's share of profits and losses of associated undertakings are shown below operating profit and the consolidated balance sheet includes the Group's share of net assets of its associated undertakings within non-current asset investments. The financial results for all of the Group's associated undertakings are based on financial statements to the end of the relevant year.

Joint ventures

An entity is treated as a joint venture where the Group holds a long term interest and shares control under a contractual agreement.

In the Group accounts, interests in joint ventures are accounted for using the equity method of accounting. The consolidated income statement includes the Group's share of the results of such undertakings based on unaudited financial statements. In the consolidated balance sheet the Group's share of the identifiable assets and its share of the liabilities attributable to its joint ventures are shown separately.

2. Accounting policies – *continued*

Inventories

Inventories are stated at the lower of cost incurred in bringing products to their present location and condition, and net realisable value. The cost formula for inventories is the first in first out method.

Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as plant and machinery and depreciated over the shorter of the lease term and their useful lives. Obligations under such arrangements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligations outstanding in each period. Assets held under finance leases are recognised as assets of the Group at their fair value or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis. Deferred tax is provided on timing differences arising from the revaluation of the properties. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of share options, is recognised as an employee benefit expense in the income statement. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the date of grant. Fair value is measured by the use of the binominal model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

2. Accounting policies – *continued*

Financial instruments

The Group and Company hold the following financial instruments: trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

The Group does not hold or issue derivatives or any other financial instruments for trading purposes.

Available for sale financial assets

The Group's trade investments are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Trade and other receivables

Trade and other receivables are stated at their value on initial recognition and subsequently at costs less impairment losses. Trade receivables are initially stated at their fair value and subsequently measured at the amortised cost using the effective interest rate method, with interest being recognised in the income statement on an effective yield basis.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits and are measured at cost as they have a short-term maturity.

Trade payables

Trade payables are non-interest bearing and are stated at nominal value. Trade payables are initially stated at their fair value and subsequently measured at amortised cost using the effective interest rate method, with interest being recognised in the income statement on an effective yield basis.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are charged to income on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Revenue recognition

Revenue represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of Value Added Tax. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Sales of goods are recognised when goods are delivered and title has passed. Group revenue is attributable entirely to the retailing of petroleum products and other goods and services through a network of petrol stations and by the issue of fuel cards to customers wholly based in the UK.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

Pensions

The cost of providing the money purchase scheme for two of the Directors and nine employees is charged to the income statement as it arises.

3. **Critical accounting judgements and key sources of estimation**

The preparation of financial information in conformity with generally accepted accounting standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and the suitable discount rate in order to calculate the present value. A provision for impairment was made in the period and the carrying value of goodwill at the balance sheet date was £550,000 (2007 – £2,012,000).

Investment properties' valuations

The best evidence of fair value is current prices in an active market for a similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of dissimilar nature, condition or location, with reasonably priced adjustments made to compensate for dissimilar elements; and

(ii) recent traded prices of similar properties in less active markets, with adjustment, to reflect any changes in economic conditions since the date of the transactions.

See note 11 for details of the independent surveyor used for the valuations, and note 22 for the sensitivity analysis on the valuations.

Taxation

Corporation tax has been provided on the gain arising from the sale of Petrol Express Limited by the Group. In the event of the gain being subject to Substantial Shareholdings Exemption no tax will be payable. The Directors, have however, provided for this tax as there is an element of uncertainty as to the availability of the exemption.

Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on future estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

4. **Segmental analysis**

Divisional segments

For management purposes, the Group is currently organised into two operating divisions: fuel cards and property development. These divisions are the basis on which the Group reports its primary segment information.

The Group was also previously involved in petrol service stations. That operation was discontinued with effect from 29 October 2008.

4. Segmental analysis – *continued*

All revenue for both the years ended 31 December 2008 and 2007 was to external customers based in the United Kingdom.

2008

	Fuel cards 2008 £000	Property development 2008 £000	Discontinued operations 2008 £000	Adjustments 2008 £000	Consolidated 2008 £000
Revenue	8,376	-	159,817	-	168,193
Cost of sales	(7,988)	-	(156,116)	-	(164,104)
Gross profit	388	-	3,701	-	4,089
Operating expenses	(2,981)	(38)	(2,074)	-	(5,093)
Impairment of goodwill	(940)	-	(24)	-	(964)
Operating (loss)/profit	(3,533)	(38)	1,603	-	(1,968)
Share of associated undertakings losses					(9)
Share of operating loss in joint venture					(32)
Gain on sale of subsidiary					17,338
Gain on sale/write off of non-current assets					1
Finance costs					(1,079)
Finance income					315
Profit before tax					14,566
Tax					(1,225)
Profit after tax					13,341

Other information

	Fuel cards 2008 £000	Property development 2008 £000	Discontinued operations 2008 £000	Adjustments 2008 £000	Consolidated 2008 £000
Capital additions	12	1,952	736	-	2,700
Depreciation and amortisation	(5)	-	(239)	-	(244)
Impairment of goodwill	(940)	-	(24)	-	(964)
Impairment of investment properties	-	(1,817)	-	-	(1,817)
Balance Sheet					
Segment assets	1,802	2,016	-	-	3,818
Unallocated group assets					36,244
Joint venture					
– share of assets					471
– share of liabilities					(499)
Consolidated total assets					40,034
Segment liabilities	(724)	(1,330)	-	(11)	(2,065)
Unallocated group liabilities					(1,196)
Consolidated total liabilities					(3,261)

4. Segmental analysis – *continued*

2007

	Fuel cards 2007 £000	Property development 2007 £000	Discontinued operations 2007 £000	Adjustments 2007 £000	Consolidated 2007 £000
Revenue	8,757	–	157,902	–	166,659
Cost of sales	(8,335)	–	(154,496)	–	(162,831)
Gross profit	422	–	3,406	–	3,828
Operating expenses	(753)	–	(1,607)	–	(2,360)
Operating (loss)/profit	(331)	–	1,799	–	1,468
Share of associated undertakings profits					87
Share of operating loss in joint venture					(3)
Gain on sale/write off of non-current assets					17
Finance costs					(642)
Finance income					101
Profit before tax					1,028
Tax					(156)
Profit after tax					872

Other information

	Fuel cards 2007 £000	Property development 2007 £000	Discontinued operations 2007 £000	Adjustments 2007 £000	Consolidated 2007 £000
Capital additions	–	1,080	11,065	–	12,145
Depreciation and amortisation	(5)	–	(289)	–	(294)
Impairment of goodwill	–	–	(24)	–	(24)
Balance Sheet					
Segment assets	3,012	–	51,318	–	54,330
Unallocated group assets					556
Joint venture					
– share of assets					1,241
– share of liabilities					(1,267)
Consolidated total assets					54,860
Segment liabilities	(1,036)	–	(29,793)	–	(30,829)
Unallocated group liabilities					–
Consolidated total liabilities					(30,829)

Geographical segments

All of the Group's operations are located in England and Wales. All business was carried out in the United Kingdom for the years ended 31 December 2008 and 2007.

5. Group operating profit

	2008 £000	2007 £000
Operating profit is stated after (charging)/crediting:		
Depreciation and other amounts written off non-current assets:		
Owned properties, plant and equipment	**(244)**	(294)
Impairment of positive goodwill	**(24)**	(24)
Auditors' remuneration:		
Audit fees – current year provision	**(48)**	(69)
Audit fees – prior year underprovision	**(13)**	(2)
Pension contributions	**(59)**	(49)
Share option charge	**(176)**	(31)
Rentals under operating leases:		
Properties	**(344)**	(346)
Other operating leases:		
Plant, equipment, office equipment, fixtures, fittings and motor cars	**(298)**	(130)
Rental income	**155**	169
Exceptional items:		
Profit on associated undertaking's share buy backs	**–**	133
Surplus on revaluation of properties	**–**	167
Impairment of goodwill	**(940)**	–
Impairment of investment properties	**(1,817)**	–
	(2,757)	300

Auditors' remuneration is comprised as follows:

	2008 £000	2007 £000
Company		
Fees payable for the audit of the consolidated annual accounts		
– current year's provision	**23**	29
– prior year under provision	**5**	2
Fees payable to the Company's auditor for other services		
– other	**–**	15
Group		
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	**25**	40
Fees payable to the Company's auditors for other advice to the Company's subsidiaries	**11**	12

In addition, the Company paid £40,000 to the Company's auditors for advice provided on the disposal of a subsidiary company. The amount is included in the costs incurred in disposing of that company.

Rental income represents income received from sub-letting of properties to third parties.

6. Financing costs

	2008 £000	2007 £000
Interest expense:		
Bank loans and overdrafts	**965**	495
Hire purchase interest	**–**	7
Amortisation and write off of loan finance costs	**114**	85
Mezzanine loan premium	**–**	55
	1,079	642

7. Financing income

	2008 £000	2007 £000
Interest income on bank deposits	**315**	101

8. Taxation

Analysis of tax charge

	2008 £000	2007 £000
UK corporation tax based on profit for the year	**1,219**	187
Adjustment in respect of prior years	**(10)**	(19)
	1,209	168
Tax applicable to associated undertakings	**–**	2
Deferred tax – current year	**15**	(2)
Deferred tax – prior year	**1**	(12)
	1,225	156
Profit before tax	**14,566**	1,028
Tax on profit at standard rate 28.5% (2007 – 30%)	**4,151**	308
Profit on sale of subsidiary	**(5,290)**	–
Gain on sale of subsidiary	**5,529**	–
Provision for subsidiaries	**348**	–
Impairment review	**792**	–
Non deductible expenditure	**170**	65
Non taxable income	**–**	(72)
Tax effect of short term temporary differences not previously recognised	**(2)**	(63)
Tax effect of current year short term temporary differences not recognised	**(1,665)**	(43)
Rate adjustment	**(103)**	(10)
Tax effect on associated undertakings results	**–**	2
Adjustment in respect of prior years	**(10)**	(31)
Capital losses utilised	**(2,695)**	–
	1,225	156

Factors affecting current and future tax charges

A reduction in the mainstream UK tax rate to 28% from 1 April 2008, should result in a reduction in the Group's future effective tax rate. A reduction in the mainstream UK tax rate to 28% from 1 April 2008 has been applied for the short term timing differences.

9. Staff costs

	2008 £000	2007 £000
Directors' remuneration:		
Fees as Directors	**85**	46
Other emoluments	**1,308**	514
	1,393	560

The total emoluments, including pension contributions, of the highest paid Director were £638,000 (2007 – £259,000).

	2008 £000	2007 £000
Staff costs, including Directors' remuneration:		
Wages and salaries	**5,635**	5,340
Share option cancellation compensation	**634**	-
Social security costs	**513**	402
Other pension costs	**59**	49
	6,841	5,791

	2008 Number	2007 Number
Average number of persons employed by the Group in the year, including Executive Directors:		
Management	**5**	5
Sales and administration	**8**	7
Service station staff	**423**	475
	436	487

10. Goodwill – Group

	£000
Cost:	
At 1 January 2007	2,241
Acquisition of subsidiary	598
At 1 January 2008	**2,839**
Acquisition of subsidiary (Note 14)	**134**
Disposal of subsidiary (Note 14)	**(812)**
At 31 December 2008	**2,161**
Impairment:	
At 1 January 2007	803
Impairment in the year	24
At 1 January 2008	**827**
Impairment in the year	**964**
Disposal of subsidiary (Note 14)	**(180)**
At 31 December 2008	**1,611**
Net book value:	
At 31 December 2008	**550**
At 31 December 2007	2,012

10. Goodwill – Group – *continued*

The impairment in the year ended 31 December 2008 relates to £806,000 of goodwill which arose on the acquisition of the fuel card businesses in 2002 and is based on an indicative, non-binding offer received to dispose of the businesses; £134,000 of goodwill which arose on the acquisition of TRS Developments Limited in 2008 and is based on the net asset deficiency of that investment; and £24,000 (2007 – £24,000) relates to goodwill which arose on the acquisition of two petrol filling stations in 1997.

11. Investment properties

	£000
Group	
Cost or valuation:	
At 1 January 2008	–
Acquisition of subsidiary	**1,673**
Additions	**122**
Reclassification from properties, plant and equipment	**1,530**
Reclassification from other receivables	**200**
Impairment	**(1,817)**
At 31 December 2008	**1,708**

All of the investment properties were reviewed for impairment by an independent surveyor, N R Bone FRICS of NRB Chartered Surveyors and Property Managers, at an effective date of 31 December 2008. The valuations of the freehold interests are upon the basis of an unencumbered freehold interests and subject to the leases, tenancies and vacant units, where applicable.

12. Properties, plant and equipment

	Properties £000	Plant and machinery £000	Office equipment, fixtures and fittings £000	Total £000
Group				
Cost or valuation:				
At 1 January 2007	31,567	944	1,082	33,593
Additions	2,186	85	151	2,422
Revaluations	885	–	–	885
Disposals	(1,030)	(47)	(22)	(1,099)
Acquisition of subsidiary	7,698	702	–	8,400
At 1 January 2008	**41,306**	**1,684**	**1,211**	**44,201**
Additions	**543**	**16**	**188**	**747**
Disposals, write offs and impairment	**(995)**	**(163)**	**(709)**	**(1,867)**
Disposal of subsidiary	**(39,357)**	**(1,347)**	**(625)**	**(41,329)**
Reclassification to investment properties	**(1,497)**	**(190)**	**(65)**	**(1,752)**
At 31 December 2008	–	–	–	–
Depreciation:				
At 1 January 2007	672	221	594	1,487
Charge for year	72	63	159	294
Disposals	(21)	(27)	(17)	(65)
At 1 January 2008	**723**	**257**	**736**	**1,716**
Charge for the year	**60**	**45**	**139**	**244**
Disposals and write offs	**(40)**	**(117)**	**(643)**	**(800)**
Disposal of subsidiary	**(715)**	**(51)**	**(172)**	**(938)**
Reclassification to investment properties	**(28)**	**(134)**	**(60)**	**(222)**
At 31 December 2008	–	–	–	–
Net book value:				
At 31 December 2008	–	–	–	–
At 31 December 2007	40,583	1,427	475	42,485

Included above are plant and equipment held under finance leases or hire purchase contracts as follows:

	£000
Net book value:	
As at 31 December 2008	–
As at 31 December 2007	39
Depreciation charge for the year:	
As at 31 December 2008	**1**
As at 31 December 2007	5

The Company held no properties, plant and machinery, office equipment, fixtures and fittings during the year.

13. Investments

	£000
Group	
Trade investments	
Market value:	
At 1 January and 31 December 2008	**4**
Associated undertakings:	
Cost:	
At 1 January and 31 December 2008	**-**
Share of losses and reserves:	
At 1 January 2008	**9**
Loss for the year	**(9)**
At 31 December 2008	**-**
Net book value:	
At 31 December 2008	**-**
At 31 December 2007	9

Investments at cost or market value before and after provision for impairment:

	2008 £000
Trade investment:	
Minster Pharmaceuticals plc	**4**
Associated undertakings:	
Flenwood Limited	**-**
Global Natural Gas Limited	**-**
	-

Trade investment comprises:

			2008	2007
Minster Pharmaceuticals plc	Pharmaceuticals	Great Britain	**0.1%**	0.2%

The associated undertakings comprise:

	Activity	Country of incorporation	Description of shares held	Percentage holding and voting rights
Global Natural Gas Limited	Dormant	Great Britain	Ordinary shares of 1p	**40.0%**
Flenwood Limited	Dormant	Great Britain	Ordinary shares of 50p	**33.2%**

These companies are located principally in their country of incorporation.

The Group's share of Flenwood Limited's operating losses for the year ended 31 December 2008 are £9,000. Global Natural Gas Limited had no revenue, income, and expense items in the year ended 31 December 2008.

	£000
Company	
Trade investments	
Market value:	
At 1 January and 31 December 2008	**4**

14. Investments – subsidiaries

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Company			
Cost and net book value:			
At 1 January 2008	**5,703**	**8,634**	**14,337**
Net intra group transfers and disposal of subsidiary	**(4,953)**	**(8,634)**	**(13,587)**
Acquisition of subsidiary	**105**	–	**105**
Impairment	**(105)**	–	**(105)**
At 31 December 2008	**750**	–	**750**
At 31 December 2007	5,703	8,634	14,337

(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
Fuel Up Limited	Fuel card operator	Great Britain	**100%**	Great Britain
TRS Developments Limited	Property development	Great Britain	**100%**	Great Britain

(ii) Held by the Group

	Activity	Country of incorporation	Effective ordinary shares held and voting rights	Country of operation
National and European Fuel Services Limited#	Fuel card operator	Great Britain	**100%**	Great Britain
TRS Developments (Stockton) Limited*	Property development	Great Britain	**100%**	Great Britain
TRS Developments (Cheadle) Limited*	Property development	Great Britain	**100%**	Great Britain
Richmond House (Stockton) Management Limited^	Resident property management	Great Britain	**100%**	Great Britain
TRS Developments (South Shields) Limited*	Dormant	Great Britain	**100%**	Great Britain
TRS Developments (Sparkbrook) Limited*	Dormant	Great Britain	**100%**	Great Britain
TRS Developments (Dynevor) Limited*	Dormant	Great Britain	**100%**	Great Britain
TRS Developments (Glasgow) Limited*	Dormant	Great Britain	**100%**	Great Britain

100% held by Fuel Up Limited.

* 100% held by TRS Developments Limited.

^ 100% held by TRS Developments (Stockton) Limited.

14. Investments – subsidiaries – *continued*

The aggregate amount of capital and reserves and the results of these undertaking for the last relevant financial year were as follows:

	Capital and reserves £000	Profit/(loss) for the year £000
Middlesex Energy Limited	1	22,136
Fuel Up Limited	1,186	(506)
National and European Fuel Services Limited	222	72
TRS Developments Limited	(1,925)	(1,924)
TRS Development (Stockton) Limited	(301)	(258)
TRS Development (Cheadle) Limited	(240)	(240)

On 30 September 2008, the Company acquired the other 50% of the share capital of TRS Developments Limited, which it did not already own. The acquisition has been accounted for by the acquisition method.

Further details of the acquisition are set out below:

	£000
Net assets stated at cost and fair values at date of acquisition	
Investment properties	**1,673**
Other receivables	**5**
Cash and cash equivalents	**26**
Other payables	**(522)**
Bank loans	**(1,241)**
Net liabilities	**(59)**
Reclassification from investments – joint ventures (Note 15)	**30**
Goodwill arising on acquisition (Note 10)	**134**
	105
Satisfied by:	
Cash to the vendor	**105**

Residual goodwill is considered to comprise the synergies available to the combined businesses.

The summarised income statement for TRS Developments Limited for the period 1 January 2008 to 30 September 2008 is as follows:

	£000
Revenue	**39**
Operating profit	**43**
Finance costs	**(51)**
Loss before and after taxation and loss for period	**(8)**

The loss attributable to the members of TRS Developments Limited for the year ended 31 December 2007 was £52,000.

14. Investments – subsidiaries – *continued*

On 29 October 2008, the Group completed the sale of Petrol Express Limited and its subsidiaries Thames Rico Limited, Thames Rico Service Stations Limited, Freeheart Limited and Bond Hamill Limited. The disposal is analysed as follows:

	£000
Net assets disposed of:	
Goodwill	**632**
Properties, plant and equipment	**40,391**
Inventories	**2,758**
Trade and other receivables	**1,949**
Cash and cash equivalents	**527**
Bank and other loans	**(14,867)**
Trade and other payables	**(9,550)**
Deferred tax liabilities	**(3,855)**
Net assets	**17,985**
Profit on disposal	**17,338**
	35,323
Satisfied by:	
Cash from purchaser	**36,748**
Costs associated with the disposal	**(1,425)**
Net cash received	**35,323**

The profit attributable to the members of the parent company includes profits of £646,000 generated by Petrol Express Limited up to date of disposal on 29 October 2008.

15. Investments – joint ventures

	2008 £000
Group	
Cost:	
At 1 January	**(26)**
Operating loss to 30 September 2008	**(4)**
Reclassification to subsidiaries – (Note 14)	**30**
Movement in the year – share of assets	**471**
Movement in the – share of liabilities	**(499)**
At 31 December	**(28)**

The Group's share of the net assets and income and expenses of the joint ventures for the year ended 31 December 2008 are:

	Current assets £000	Current liabilities £000	Non-current liabilities £000	(Loss) £000
Rico Partners LLP	**471**	**(3)**	**(496)**	**(28)**

The joint venture had £nil non-current assets at 31 December 2008.

Company	Activity	Country of incorporation	Effective ordinary shares held and voting rights	Country of operation
Rico Partners LLP	Property development	Great Britain	**50%**	Great Britain

16. Inventories – Group

	2008 £000	2007 £000
Goods for resale	**67**	3,896

The cost of inventories recognised as an expense and included in cost of sales amounted to £160,275,000 (2007 – £151,640,000).

17. Trade and other receivables

	Group 2008 £000	**Company 2008 £000**	Group 2007 £000	Company 2007 £000
Amounts falling due within one year:				
Trade receivables	**276**	**–**	2,552	–
Amounts owed by subsidiaries	**–**	**612**	–	1,390
Consortium relief recoverable	**–**	**62**	–	231
Other receivables	**547**	**229**	770	16
Prepayments and accrued income	**233**	**233**	553	8
	1,056	**1,136**	3,875	1,645
Amounts falling due after more than one year:				
Amounts owed by subsidiary	**–**	**–**	–	1,351
	1,056	**1,136**	3,875	2,996

There is no significant exposure to credit risk because 100% of sales are on a cash, credit card or debit card basis. Where sales are on a credit basis they are credit insured.

The Group and Company do not have any impairments or provisions for trade receivables.

18. Trade and other payables

	Group 2008 £000	**Company 2008 £000**	Group 2007 £000	Company 2007 £000
Trade payables	**516**	**–**	9,814	–
Amounts owed to subsidiary companies	**–**	**252**	–	–
Other tax and social security	**23**	**23**	558	–
Other payables	**303**	**165**	311	117
Accruals and deferred income	**138**	**80**	2,527	143
	980	**520**	13,210	260

Included in the Group's trade creditors at 31 December 2008 is £nil (2007 – £4,075,000) which is secured by Deeds of Priority relating to none (2007 – five) of the Group's freehold and long leasehold properties.

At 31 December 2008, the Group's bank loans are secured by a first legal charge on two of the Group's freehold properties. At 31 December 2007, the amounts due in respect of other Group loans are secured by a first legal charge on one of the Group's freehold properties. The bank loans and overdraft are secured by a fixed and floating charge on Group properties and other assets.

19. Non-current liabilities – Financial liabilities – borrowings – Group

	2008 £000	2007 £000
Bank loans	–	12,476
Other loan	–	900
	–	13,376

Net obligations under hire purchase contract are repayable as follows – Group:

	2008 £000	2007 £000
Repayable within one year	–	4
Included in liabilities due within one year	–	(4)
	–	–

20. Financial liabilities – borrowings – Group

	2008 £000	2007 £000
Wholly repayable within five years:		
By instalments – at 1% over LIBOR	–	1,100
By instalments – at 1.5% over LIBOR	–	4,080
Net obligations under hire purchase contracts	–	4
	–	5,184
After five years:		
By instalments – at 1.5% over LIBOR	–	8,510
	–	13,694
Un-amortised issue costs	–	(114)
	–	13,580
Amount due within one year	–	(204)
	–	13,376

At 31 December 2007, 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 is secured by a first legal charge on four of its freehold properties.

	2008 £000	2007 £000
Amounts falling due:		
In one year or less	**1,234**	204
Between one and two years	–	1,280
Between two and five years	–	3,600
After five years	–	8,610
	–	13,694
Un-amortised issue costs	–	(114)
	1,234	13,580

21. Deferred tax liabilities – Group

Movement on deferred taxation balance in the year

	£000
At 1 January 2007	3,136
Credit to income statement	(14)
Movement in year	(53)
Acquisition of subsidiary	770
At 1 January 2008	**3,839**
Debit to income statement (Note 8)	**16**
Disposal of subsidiary	**(3,855)**
At 31 December 2008	**–**

Analysis of deferred tax balance

	2008 £000	2007 £000
On revaluation of properties	**–**	3,636
Capital allowances in excess of depreciation	**–**	203
	–	3,839

No deferred tax is provided in the Company.

22. Financial instruments

The Group's investment and trading activities are funded by shareholders' funds, bank and other loans. The Group does not trade in financial instruments.

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 one principal form of debt instrument being long term bank and other loans, secured on the freehold/leasehold properties, used to finance the acquisition of the petrol stations.

The Group and Company do not have any impairments or provisions for trade receivables.

The Group's and Company's financial risk management policies and procedures are set out in the Directors' Report on pages 10 and 11.

22. Financial Instruments – *continued*

(a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

The fair value of the Group's financial assets and financial liabilities are as follows:

Assets as per balance sheet – financial assets

	2008 Group £000	2008 Company £000	2007 Group £000	2007 Company £000
Trade investments	**4**	**4**	4	4
Trade and other receivables	**1,056**	**1,136**	3,875	2,996
Cash and cash equivalents	**36,677**	**35,778**	2,605	556
	37,737	**36,918**	6,484	3,556

The ageing of trade receivables at the year end was:

Group

	2008 £000	2007 £000
Not past due	**224**	2,548
Past due 0 – 30 days	**33**	14
Past due 31 – 120 days	**19**	(10)
	276	2,552

The Company had no trade receivables at the year end (2007 – £nil).

Liabilities as per balance sheet – other financial liabilities

	2008 Group £000	2008 Company £000	2007 Group £000	2007 Company £000
Trade and other payments	**980**	**520**	13,210	260
Borrowings	**1,234**	**–**	13,580	–
	2,214	**520**	26,790	260

(b) Interest rate risk

At 31 December 2008 the currency and interest rate profile of the financial assets and liabilities of the Group was as follows:

	2008 Floating rate £000	2008 Zero rate £000	2007 Floating rate £000	2007 Zero rate £000
Financial assets				
Sterling – cash and cash equivalents	**36,677**	**–**	2,605	–
Financial liabilities				
Sterling – borrowings	**1,234**	**–**	13,580	–

Interest rates on floating rate bank deposits and liabilities are based on the relevant national inter bank offered rates. The Group has no fixed interest rate assets or liabilities.

A rise in interest rates of 1% will increase profit before tax by approximately £350,000 per annum (2007 – decrease by £100,000).

22. Financial instruments – *continued*

(c) Fair values of financial assets and liabilities

	2008 Net carrying amount £000	**2008 Estimated fair value £000**	2007 Net carrying amount £000	2007 Estimated fair value £000
Trade investments	**4**	**4**	4	4
Trade and other receivables	**1,056**	**1,056**	3,875	3,875
Cash and short-term deposits	**36,677**	**36,677**	2,605	2,605
Borrowings:				
Short-term borrowings and current portion of long-term borrowings	**(1,234)**	**(1,234)**	(204)	(204)
Long-term borrowings	**–**	**–**	(13,376)	(13,376)

The fair value of short-term portion of long-term borrowings and long-term borrowings 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:

	2008 £000	2007 £000
In one year or less, or on demand	**1,234**	183
In more than one year but not more than two	**–**	1,259
In more than two years, but not more than five years	**–**	3,573
After five years	**–**	8,565
	1,234	13,580

(e) Other price risk

A 10% fall/rise in the valuation of property, plant and equipment, would decrease/increase net assets by approximately nil (2007 – 18%).

A 10% fall/rise in the valuation of investment properties would decrease/increase net assets by approximately 0.5% (2007 – nil).

23. Share capital

	2008 £000	2008 Number	2007 £000	2007 Number
Authorised:				
Ordinary shares of 25p each	**5,000**	**20,000,000**	3,750	15,000,000
Allotted, called up and fully paid:				
Ordinary shares of 25p each	**3,523**	**14,094,266**	3,523	14,094,266

On 15 January 2009, the Company announced that it had purchased 189,000 ordinary shares for cancellation at a price of 170p each.

Share option schemes are designed to reward executives for the delivery of growth in the Company's share price. On the disposal of Petrol Express Limited, it was the Company's intention to repay a significant part of the profit on disposal by way of a special dividend of 150p per share to shareholders, share option holders were not, in some cases, able to exercise their options and enjoy the benefits that would normally be expected to accrue to them. It was therefore decided by the remuneration committee, that in order to treat share option holders fairly and to enable the Company to implement a new long term incentive plan to reflect the position of the Company following the disposal, on completion all current options over ordinary shares were surrendered in return for the payment of an amount equal to the option gain calculated as the difference between the option exercise price and 267p (being the estimated value per ordinary share of the Company as a result of the disposal and after costs but prior to the special dividend), subject to a maximum payment per option of 150p. To the extent that the option gain exceeded 150p, it was intended that those share option holders who remained as employees of the Company would be granted new options under the new long term incentive plan and those share option holders who were employed by Petrol Express Limited were granted a cash bonus equivalent. £634,000 of the expense has been offset against the release of all of the share option reserve and £96,000 has been included in the costs associated with the disposal of Petrol Express Limited.

The following options to subscribe for ordinary shares had been granted under the Executive Share Option Scheme, for six current employees have been cancelled in the year ended 31 December 2008:

Year of grant	Exercise period	Exercise price per share	2008 Number	2007 Number
1998	**15 July 2001 to 14 July 2008**	**297p**	-	32,992
1999	**16 November 2002 to 15 November 2009**	**150p**	-	25,000
2002	**13 September 2005 to 12 September 2012**	**40p**	-	138,053
2003	**10 July 2006 to 9 July 2013**	**280p**	-	25,000
2007	**16 May 2010 to 15 May 2017**	**102.5p**	-	260,000
			-	481,045

23. Share capital – *continued*

The unexercised share options over ordinary shares held by the Director, who served during the year, under the Executive Share Option Scheme are disclosed in the Corporate Governance Report on page 19. Those held by the employees were as follows:

Outstanding 1.1.08	Cancelled during year	Outstanding 31.12.08	Exercise price	Date of grant	First date of exercise	Final date of exercise
15,000	**(15,000)**	**–**	**40p**	**13.9.02**	**13.9.05**	**12.9.12**
89,000	**(89,000)**	**–**	**102.5p**	**16.5.07**	**16.5.10**	**15.5.17**
104,000	**(104,000)**	**–**				

The fair value of services received in return for share options granted is based on the fair value of the share options granted using the Black Scholes model with the following inputs:

	2008	2007
Share price and exercise price	–	101p
Option life	–	7 years
Expected volatility	–	60%
Risk free rate of return	–	5.25%
Dividend yield	–	Dividends to grow at risk free rate

The expected volatility is based on volatility over the last 10 years. The expected lives are the periods within which the options can be exercised. The risk free rate of return is the rate of interest obtainable from 5-10 year UK gilt-edged bonds.

A reconciliation of share option movements over the year to 31 December is shown below:

	2008		2007	
	Options	**Weighted average exercise price (in pence)**	Options	Weighted average exercise price (in pence)
Outstanding at 1 January	**481,045**	**110**	856,045	139
Granted during year	–	–	260,000	102.5
Exercised in year	–	–	(250,000)	40
Lapsed in year	–	–	(385,000)	216
Cancelled in the year	**(481,045)**	**110**	–	–
Outstanding at 31 December	–	–	481,045	110
Exercisable at 31 December	–	–	221,045	118

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

The calculation of basic earnings/(loss) per share is based on continuing operations – loss after taxation of £(3,378,000) (2007 – £(241,000)), discontinued operations – profit after taxation of £16,719,000 (2007 – £1,113,000) and on 14,094,266 ordinary shares (2007 – 13,928,101), being the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share is based on continuing operations – loss after taxation £(3,378,000) (2007 – £(241,000)), discontinued operations – profit after taxation of £16,719,000 (2007 – £1,113,000) and on 14,094,266 ordinary shares (2007 – 14,006,585), being the weighted average number of ordinary shares in issue and dilutive share options outstanding during the year.

25. Notes to the cash flow statement

Group

(a) Reconciliation of operating (loss)/profit to cash inflow from operating activities

	2008 £000	2007 £000
Operating (loss)/profit	**(1,968)**	1,468
Deficit/(surplus) on revaluation of properties	**1,817**	(167)
Profit on associated undertakings share buy backs	**–**	(133)
Depreciation and impairment charges	**1,208**	318
Decrease/(increase) in inventories	**1,071**	(984)
Decrease/(increase) in trade and other receivables	**1,084**	(597)
(Decrease)/increase in trade and other payables	**(2,474)**	456
Share option compensation	**176**	31
Cash inflow from operating activities	**914**	392

(b) Analysis of net debt

	At 1 January 2008 £000	Cash flow £000	Other non-cash movements* £000	At 31 December 2008 £000
Cash at bank and in hand	**2,605**	**34,072**	**–**	**36,677**
Debt due after one year	**(13,376)**	**13,490**	**(114)**	**–**
Debt due within one year	**(204)**	**(1,030)**	**–**	**(1,234)**
	(10,975)	**46,532**	**(114)**	**35,443**

* Other non-cash movement in year ended 31 December 2008 is the writing off of unamortised loan issue costs.

	At 1 January 2007 £000	Cash flow £000	Other non-cash movements* £000	At 31 December 2007 £000
Cash at bank and in hand	3,460	(855)	–	2,605
Debt due after one year	(3,961)	(8,127)	(1,288)	(13,376)
Debt due within one year	(2,633)	1,120	1,309	(204)
	(3,134)	(7,862)	21	(10,975)

* Other non-cash movements in year ended 31 December 2007 is reclassification of £1,309,000 of debt due after one year to that due within one year as a result of the revised banking facility entered into and £21,000 net increase in the year in unamortised loan issue costs.

Company

Reconciliation of operating loss to cash outflow from operating activities

	2008 £000	2007 £000
Operating loss	**(937)**	(405)
Profit on associated undertakings share buy backs	**–**	(260)
(Increase)/decrease in trade and other receivables	**(438)**	14
Increase/(decrease) in trade and other payables	**4**	(235)
Share option compensation	**176**	31
Cash outflow from operating activities	**(1,195)**	(855)

26. Commitments

The Group and Company had no capital commitments at 31 December 2008 and 2007.

27. Contingent liabilities and guarantees

On 13 May 2008, the Company provided a corporate guarantee to Rico Partners LLP's bankers guaranteeing £100,000 of its liabilities.

On 28 October 2008, the Company provided a corporate guarantee to one of Fuel Up Limited's fuel suppliers, which in consideration for the fuel supplier giving Fuel Up Limited credit facilities the Company guarantees to discharge on demand Fuel Up Limited's obligations.

On 29 October 2008, the Group completed the disposal of Petrol Express Limited. In the Sale Purchase Agreement ("SPA") the Company has given the purchaser such limited warranties and indemnities regarding Petrol Express Limited ("PEX") as the Board considers appropriate in the context of the disposal. The indemnities relate to any liabilities of PEX that do not relate to its existing business and a rent review on one of the properties held by PEX. The SPA acknowledges that the purchaser may suffer losses that actually arose in the business as a result of a reorganisation that was to be carried out by the purchaser following completion. No liability attaches to the Company in respect of any breach of warranty contained in the SPA unless and until the aggregate of such claims or losses exceed £150,000 and in respect of a breach of the indemnities, £50,000. The aggregate liability of the Company in respect of all claims made in respect of any warranties and indemnities contained in the SPA (other than certain share title warranties and certain specific environmental indemnities) will not exceed £14 million. Any claim (other than in relation to taxation) under the warranties must be brought by the purchaser prior to 18 month anniversary of completion. Any claim under the indemnities must be brought within 5 years of completion (other than in relation to specific environmental indemnities) and in respect of taxation claims must be brought within 7 years of completion.

28. Operating lease commitments

At 31 December 2008, the Group's future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings 2008 £000	**Other 2008 £000**	Land and buildings 2007 £000	Other 2007 £000
Leases which expire:				
Within one year	**7**	**11**	286	164
Within two to five years	**97**	**17**	868	303
Over five years	**–**	**–**	4,815	–
	104	**28**	5,969	467

29. Pension scheme

Contributions to the Group's Directors' pensions are set out in the Corporate Governance Report on page 18. The Group contributes between 2.5% and 15% of the gross salary per annum to money purchase schemes for ten of its employees. The schemes are defined contribution schemes and the charge to the income statement for the employer's contribution in the year ended 31 December 2008 is £59,000 (2007 – £49,000). There are £nil within debtors (2007 – £1,000) relating to the employer's contributions at 31 December 2008.

30. Related party transactions

During the year the following related party transactions took place:

At 31 December 2008, the Company owed a net £188,000 (2007 – owed by – £59,000) to Fuel Up Limited ("FUL") (a 100% held subsidiary) for funds advanced from FUL to the Company and group relief made available by the Company to FUL. These funds are payable on demand and have no coupon.

At 31 December 2008, the Company was owed £612,000 (after an impairment charge of £2 million) (2007 – £nil) by TRS Developments Limited ("TRSD") (a 100% held subsidiary) for transfer on 1 October 2008 of three properties and associated debtors of these three properties and further two of £2,484,000 from Petrol Express Limited ("PEX") to TRSD before it was disposed of on 29 October 2008 and £128,000 of funds advanced for working capital. These funds are payable on demand and have no coupon.

At 31 December 2008, the Company owed £1,000 (2007 – owed by – £7,635,000) to Middlesex Energy Limited (a 100% owned subsidiary) being funds advanced to acquire its investment in Petrol Express Limited. This amount and an intra-group transfer was repaid in the year in the form of a dividend following the disposal of Petrol Express Limited.

At 29 October 2008, when the Group disposed of its 100% investment in Petrol Express Limited ("PEX") owed £nil (2007 – £3,913,000) to the Company being funds advanced to acquire the fuel card businesses, group relief made available and working capital. These funds were payable on demand and had no coupon. On 30 September 2008, the Company acquired from PEX its 100% investment in Fuel Up Limited and subsidiary National and European Fuel Services Limited for a consideration of £750,000 settled via inter-company balances. See above under TRS Developments Limited ("TRSD") paragraph for related party transactions between PEX and TRSD. During the period I January to 29 October 2008, the Company was recharged £288,000 (2007 – £227,000) by Petrol Express Limited for administrative expenses, including Directors' remuneration, travel and surveyors' fees etc., which it paid on behalf of the Company. In both, the period ended 29 October 2008 and year ended 31 December 2007 Petrol Express Limited has provided the Company with office facilities at no charge.

During the year ended 31 December 2008, intergroup dividends were paid as follows: £250,000 from National and European Fuel Services Limited to Fuel Up Limited ("FUL"), £750,00 from FUL to the Company and £22,134,000 from Middlesex Energy Limited to the Company.

Key management personnel compensation is disclosed in the Corporate Governance section on page 17 for salaries, page 18 for pensions and page 19 for share options.

31. Post balance sheet event

On 15 January 2009, the Company announced that it had purchased 189,000 ordinary shares for cancellation at a price of 170p each.

On 21 January 2009, the Company subscribed for 100% of the share capital of two subsidiaries, Strategic Technology Investment Trust Limited and STIT Management Limited, which had been incorporated on that date. Both companies are yet to commence trading.

On 4 February 2009, the Company repaid the bank loan owing by TRS Developments Limited of £869,000 and the bank loan owing by TRS Developments (Cheadle) Limited of £391,000.

On 14 February 2009, the Company issued a circular to shareholders seeking their approval at a General meeting to be held on 4 March 2009 to adopt a new investing strategy and incentive scheme; to authorise the Directors to apply for admission of the ordinary shares to the Official List; to change the name of the Company; and to amend the Articles of Association of the Company. At the General Meeting held on 4 March 2009 a resolution to adjourn the General meeting to 31 March 2009 was duly passed. On 13 March 2009 Norcliffe Investments Limited ("Norcliffe") announced the terms of a recommended cash offer of 190 pence in cash per ordinary share for the entire issued share capital. The offer document was dispatched to shareholders on 21 March 2009. On 27 March 2009, Norcliffe announced that its offer had become wholly unconditional.

NOTICE IS HEREBY GIVEN that the twenty-fifth Annual General Meeting of GNE Group plc will be held at the offices of Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN at 11.00 a.m. on 1 May 2009 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 to twelve will be proposed as Special Resolutions.

Ordinary business

1. To receive and adopt the Directors' Report and the Financial Statements for the year ended 31 December 2008.

2. To re-elect M R Ratcliffe (an Executive Director and a member of the Remuneration and Nomination Committees) as a Director of the Company.

3. To re-elect G Warner (a Non-Executive Director and a member of the Audit, Remuneration and Nomination Committees) as a Director of the Company.

4. To reappoint Mazars LLP as auditors and to authorise the Directors to agree their remuneration.

Special business

5. That: each 1,000 issued ordinary shares of 25p each in the capital of the Company be consolidated and redesignated as 1 ordinary share of £250 each, to carry the rights and to be subject to the restrictions set out in the articles of association of the Company provided that no Shareholder shall be entitled to a fraction of a share and all fractional entitlements resulting from the consolidation be aggregated into whole shares and such numbers of share so arising be sold on behalf of the Shareholders by the Company's brokers, Seymour Pierce Limited, and the net proceeds of sale distributed in due proportion, rounded down to the nearest whole penny, amongst such Shareholders who would otherwise be entitled to such fractional entitlements.

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 allot relevant securities within the meaning of that Section up to an aggregate nominal amount of £1,158,772 provided that this authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2010, except that the Company may before the expiry of such authority make an offer or arrangement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offer or agreement as if such 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) for cash pursuant to the authority conferred upon them by the preceding Resolution 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 where such securities have been offered whether in connection with a rights issue or any other pre-emptive offer of equity securities in favour of holders of equity securities in proportion (as nearly as may be) to their equity holdings of equity securities 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 or any stock exchange in any territory or otherwise; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities:

(a) arising from the exercise of options outstanding at the date of this Resolution; and/or

(b) up to an aggregate nominal amount of £347,631;

and such power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2010, 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 Act) of any of its ordinary shares on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

(i) unless previously revoked, varied or renewed, such authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2010, provided that the Company may before the expiry of this authority enter into any contract for the purchase of its own ordinary shares which would or might be executed wholly or partly after the expiry of such authority and in any such case the Company may make purchases of its own shares under such contract after the expiry of this authority as if such authority had not expired;

(ii) the maximum aggregate nominal value of such ordinary shares which may be purchased under this authority is £521,447;

(iii) the minimum price which may be paid for an ordinary share shall be 25p and the maximum price which may be paid for an ordinary share shall be an amount equal to 105% of the average of the middle market closing prices for an ordinary share in the Company as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the ordinary share is purchased (in each case exclusive of expenses payable by the Company); and

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

9. That: the admission to trading on AIM (a market operated by the London Stock Exchange plc) of the issued ordinary shares of 25 pence each in the capital of the Company be cancelled and that the Directors of the Company be authorised to take all steps which are necessary or desirable in order to effect such cancellation.

10. That: the Company be re-registered as a private company pursuant to section 53 of the Companies Act 1985 with the name of GNE Group Limited with effect from the date approved by the Registrar of Companies.

11. That: the memorandum of association of the Company be amended accordingly as follows:

    (i) by the deletion of clause 1 and in substitution for it: "1. The name of the Company is GNE Group Limited.";

    (ii) by the deleting of clause 2; and

    (iii) by renumbering clauses 3 and 4 as clauses 2 and 3 respectively.

12. That: the draft regulations produced to the meeting and for the purposes of identification signed by the Chairman be approved and, with effect from the date on which the Company is re-registered as a private company, be adopted as the articles of association of the Company in substitution for the existing articles of association.

By order of the Board

I Falconer CA (SA)
Company Secretary

8 April 2009

4 Lancaster Court
Coronation Road
Cressex Business Park
High Wycombe
Buckinghamshire HP12 3TD

Notes:

(i) As a shareholder of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at an Annual General Meeting of the Company. A proxy need not be a member of the Company.

(ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any joint holders. For the purposes, seniority shall be determined by the order of the names appearing in the register of members in respect of the joint holding.

(iii) In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.

(iv) To be valid, such Proxy Card and 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 with the Registrars of the Company, Capita Registrars, The Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed thereon, so as to be received no later than forty-eight hours before the time of the Meeting, or any adjournment thereof.

(v) The completion and return of a Proxy Card will not affect the right of a member to attend, speak and vote in person at the Meeting convened by this notice.

(vi) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

(vii) To direct your proxy how to vote on the resolution mark the appropriate box with an "X". To abstain from voting on a resolution, select the relevant "withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting resolution indication is given, your proxy will vote or abstain at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter, which is put before the Meeting.

(viii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the Meeting if they are registered on the Company's register of members forty eight hours before the time appointed for the Meeting or any adjournment thereof.

(ix) 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 (Saturdays, Sundays and public holidays excepted) and at the place of the Meeting from 10.45 a.m. on 1 May 2009 until the close of the Annual General Meeting.

(x) A copy of the draft articles of association of the Company marked to show the changes being proposed by Resolution 12, will be available for inspection at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays excepted) and at the place of the Meeting from 10.45 a.m. on 1 May 2009 until the close of the Annual General Meeting.

Notice of Reconvened General Meeting

Notice is hereby given pursuant to article 18.6 of the Company's articles of association, that immediately following the conclusion of the Annual General Meeting of the Company convened at 11.00 a.m. on 1 May 2009, the adjourned general meeting originally convened on 4 March 2009 at 9.00 a.m. and adjourned a second time on 31 March 2009, will be held at the offices of Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN.

The business of the general meeting will be as set out in the original notice.

By order of the Board

I Falconer CA (SA)
Company Secretary

8 April 2009

4 Lancaster Court
Coronation Road
Cressex Business Park
High Wycombe
Buckinghamshire HP12 3TD

Notes:

Attendance and Voting

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 29 April 2009 shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00 p.m. on 29 April 2009 shall be disregarded in determining the rights of any person to attend and vote at the GM.

GNE group plc

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