Greenergy

Greenergy Fuels Limited

Report and financial statements for the period ended 14 April 2010

Contents

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	8
Independent audit report	9
Profit and loss account	10
Historical cost profits & losses	11
Balance sheet	12
Reconciliation of movements in shareholders' funds	13
Notes to the financial statements	14

Officers and professional advisers

Directors
A W Owens (Chairman)
C S Lumbard
P T Bateson
M A Wellings (resigned 12 July 2010)
T P Magdani (appointed 12 July 2010)

Company secretary
D A Connelly (resigned 10 December 2009)
R W Clifton (appointed 10 December 2009)

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WC1V 7BD

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Chartered Accountants and Statutory Auditors
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Solicitors
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Bankers
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London
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Switzerland

Directors' report

The directors present their annual report together with the audited financial statements, for the period ended 14 April 2010.

Business review

Greenergy Fuels Limited ("the Company") is part of the Green*ergy* group of companies ("the Group") which is one of the major petrol and diesel oil suppliers in the UK, being both the UK's largest independent oil group and one of the largest privately owned groups in the UK. As of 14 April 2010, based on duty returns data to HMRC the Group has a national transport fuel supply market share of 17% (2009: 12%). The Group is also a major supplier, manufacturer and trader of biofuels and has supporting supply and trading operations outside of the UK.

Core purpose and strategy

The Group's core purpose is to deliver financial, operational and environmental benefits to our customers to ensure their long-term loyalty. This core purpose is achieved through the innovation and management of resilient and sustainable fuel supply chains.

The Group's strategy to drive the business incorporates the following objectives:

- Maintain lowest price while providing the highest service level to customers to create loyalty and volume stability.
- Drive margins through economies of unit cost.
- Invest in assets at critical points in the supply chain where significant barriers to entry exist.
- Maintain a lead on environmental sustainability and reporting to preserve a positive profile with customer and supplier bases.
- Develop staff and maintain a driven and appropriately skilled workforce.
- Develop and maintain a corporate structure which is robust to expected business growth.

During the period under review, the Company has continued to develop its business within this overall Group strategy. Its principal activities were blending, supply and marketing of transportation fuels.

The Company's customer base includes fuel retailers (supermarkets and major oil companies) and fleet users (leading bus companies, distribution companies and corporate users).

Sales and marketing

In the UK, the Group's market share continues to grow rapidly. The Companies average monthly sales were in excess of 660 million litres for the period (up from an average of 501 million litres in the prior year; an increase of 32% year on year). The Company has a 17% share (2009: 12%) of the UK road fuels market (petrol, diesel and blends containing bioethanol and biodiesel). This growth was achieved against the backdrop of an overall UK market reduction in demand of 2% year on year.

The majority of the UK market decline was in petrol (down 3.2%) rather than diesel (down 0.8%). The divergence in growth rates between petrol and diesel remains a notable feature of the UK market. Over the last 18 months the directors set the target of maintaining as much as possible the ratio of petrol sales to diesel sales.

Most of the growth has come from three significant events during the period:

1. Through a Group entity, Green*ergy* Terminals Limited ('GTL'), the Group opened its first wholly owned terminal in Plymouth during October 2009. The Company's sales from this terminal have exceeded expectations.
2. From January 2010, the Company became the national supplier of fuels to a major supermarket. This is a fully outsourced contract and the Company manages all aspects of the fuel acquisition and logistics to store. With this win, the Company now supplies all of the major supermarket groups in the UK.
3. The Company has now added a significant UK inland domestic purchasing capability to its import model and has developed inland trading relationships with most of the major oil groups in the UK. This has enhanced Green*ergy*'s ability to supply in the Midlands.

Overall, Greenergy is now the only company in the UK with the capability to source and supply road fuels in all regions which represents an important commercial advantage.

Currently, the Company is operating a dedicated fleet of 92 branded and unbranded road tankers plus temporary spot hires.

Blending and tankage

The Company manufactures the majority of the petrol it supplies, buying petrol raw materials from a variety of oil companies, mostly outside the UK, for blending in its tanks. As well as standard grade (95 octane) petrol, the Company also manufactures its own range of specialty high octane fuels for retail. The Company has ceased blending motorsport fuels as the market has declined as a consequence of broader cut backs in corporate sponsorship in motorsport.

Directors' report (continued)

Business review (continued)

Blending and tankage (continued)

Bioethanol was blended into most of the petrol supplied, up to the 5% limit permitted by national and European fuel standards. The majority of the Group's main grade diesel was also blended with biodiesel in blends of up to 5% prior to 1 April 2010 and up to 7% post, in line with national and European fuel standards.

The Company finalised the last stage of a project to segregate its petrol tankage blending system and truck loading racks at its terminal on the Thames and introduced additional truck loading bays. The system is now dedicated to Green*ergy* customers. This significantly reduces risks of contamination from other users of the terminal and has improved gate to gate truck loading times for Green*ergy* customers. Green*ergy* is the only UK petroleum fuel supplier to publish detailed performance metrics, including gate to gate times on the internet.

All of the Company's fuels are tested to the highest standards by independent inspectors before release to ensure they conform to sales specification. Green*ergy* is the only UK petroleum fuel supplier to publish quality certificates and detailed monthly information on the biofuels it supplies on the internet.

During the period, the Group continued to promote new build fuel tankage in the UK, either with its own capital (Plymouth / Teeside) or through long-term contracts (Vopak Thames). The Plymouth terminal became operational in the third quarter of 2009 and a new terminal in Teeside became operational in July 2010. These new terminals are in line with the Group's geographic roll out strategy. The Group now has the widest distribution capability of any fuel supplier in the UK.

Purchasing and trading

The purchasing policies have continued to develop during the period under review. In particular, industry-leading sustainability standards are being developed for biofuels blended into our fuels, with the Government's Renewable Fuels Agency commending the Company for attaining the "gold standard for sustainable biofuel".

Biodiesel manufacturing

Biodiesel is produced from vegetable oil, used cooking oil and animal fats as a feedstock (or a combination).

Through its subsidiary, Greenergy Biofuels Limited ('GBL'), during the period the Company invested in its existing vegetable oil biodiesel plant facility at Immingham to convert it into be able to process waste oils (used cooking oil and animal fats). This was a more complex operation than anticipated and impacted on the Company's financial performance. However now that it is substantially complete the directors believe that this will put the Company at the forefront of producing sustainable biofuels, on a world wide basis, that exceeds the requirements of the EU Renewable Energy Directive.

In Europe, biodiesel manufacturing economics have been further aggravated by competition from the United States of America and Argentina, where domestic production subsidies have created a strong incentive to produce and export biodiesel and then benefit from further subsidies in Europe. At times, biodiesel produced from these regions has been priced below the cost of feedstock in Europe. The EU has introduced large anti-dumping and anti-subsidy duties on biodiesel imported from the US to counteract this effect and margins for biodiesel in the EU continue to recover.

The longer term drivers for biofuels within the EU remain strong, especially for biofuels generated from waste. This view has been further supported by the UK government's decision to maintain a 20 pence per litre duty incentive for biodiesel produced from Used Cooking Oil for a period of two years from 1 April 2010.

Renewable Transport Fuel Obligation (RTFO)

This was the first substantial year for the RTFO legislation being in effect following the error in drafting legislation that impacted the previous year. The Company has implemented new systems and processes to not only meet its obligations to blend biofuels, but also to maximise income and margin by selling and trading RTFO certificates to other parties. The Company is satisfied with the way in which it has managed the transition to the RTFO regime.

Post period end, from April 2010, the next phase of the RTFO legislation came into force. A 20 pence per litre duty incentive for blending biofuels was removed (except for biofuels generated from Used Cooking Oil). In its place there is an obligation to blend a minimum amount of biofuel, 3.50% in 2010/11, and a penalty for every litre below this obligation that is not blended. This is a significant change to the industry and has a high impact on the way the Company will generate margin in future years.

The Company successfully renegotiated and renewed all its customer contracts to reflect the change in the RTFO and in particular to recover the costs of blending the obligated percentage of biofuels into petroleum fuels without a duty incentive.

Directors' report (continued)

Business review (continued)

Notable events this period

Last year there was a banking crisis and a recession in the UK. During this difficult time the Company successfully continued to grow and to manage its growth. During the period, against the general industry trend, the Company's banking lines have been increased further to nearly $1 billion ($550 million in 2009).

During the period the Company more than doubled its full service outsource operations adding a substantial degree of administrative and I.T. complexity. On the back of this increase the Group increased headcount and now has more than 100 employees for the first time. The Company also invested in a new joint venture operation in Brazil for the sourcing and origination of bioethanol.

During the period the Company entered a commercial trial of supplying ship bunker fuel on the Thames. On the basis of the trial, and the downturn in global shipping, it was decided not to develop a fully commercial operation.

The growth, the difficult markets, both in the fuels market and the broader financial markets, and changes in legislation and regulation through the RTFO has created a significant level of ongoing change and change in risk factors for the business. The directors are delighted to have traded successfully with profitable growth through this challenging environment. The Company has delivered increased market share, additional distribution capability, increased profits and improved banking lines.

These achievements have not come easily and the Company has had to manage a number of notable changes and difficulties during the period:

- There were teething troubles at Plymouth when the terminal first became operational. The Group maintained its stance of open communication and putting the customer first to swiftly and effectively manage through these issues.
- Starting fuel distribution to a major new customer across the UK with an additional 161 new drivers, 46 trucks and 13 delivery locations was managed well. However, there were some difficulties on the administration side with the production of an additional 7,000 invoices per month which adversely impacted on the Company's invoicing accuracy statistics. Again, these issues have now been resolved.
- The increased volumes have resulted in additional volume through key locations that have increased unit shipping demurrage costs. This has been partially managed through the use of larger vessels, but costs are still higher than in the past as the terminal throughput has increased.

The directors are of the view that neither the downturn in the UK (and European) fuels markets, nor the changes in RTFO (and from 2011 RED) legislation have yet run their course, with further important milestones to be completed in the next 12 months. Thus the challenge of maintaining financial performance in the year 2010/11 will be significant.

Change of accounting period

During the period the directors chose to change the accounting period of the Group from 31 March to 14 April. The purpose of this was to bring in line the accounting period with the duty reporting requirements of HMRC. As such, the financial results presented in this report are for the 12.5 month period ended 14 April 2010.

Principal risk factors

Those risks which management consider most important are identified below:

Prices and markets

The Company operates in a global industry particularly exposed to risks as diverse as global supply and demand, specific industry events, regional legislative change, politics and climate. Such risk areas pose a particular challenge to all parties involved in the oil markets. For example, governments' attitudes to fiscal support for biofuels, previously revealed in the form of duty incentives within the UK, can have a significant effect on market structures, ultimately impacting on profitability.

Recent changes in the RTFO procedures and biofuel market volatility also increases the risk associated with internal and market risk management.

Because international oil markets generally price in US Dollars, and many of our UK customers wish to purchase oil products in Pounds Sterling, there are also significant foreign exchange risks inherent in the Company's business. Biofuel feedstocks are also often priced in Euros which adds a further dimension of risk to manage.

In response to global supply and demand risk, the Company maintains an active forward purchasing and sales activity hedged with appropriate market mechanisms. The Company has some weighting towards customers that tend to benefit from economic (and hence demand) downturns, such as bus companies.

Directors' report (continued)

Principal risk factors (continued)

Prices and markets (continued)

In response to legislative and political risk, the Company maintains its position at the forefront of the UK biofuels industry through membership of relevant trade associations and by providing direct advice to government on its fuel policies.

In response to market and exchange risks, the Company continues to develop and implement comprehensive internal control processes, hedging mechanisms and IT systems including ever more automation of price and risk-related processes such as customer invoicing.

The nature and extent of risks arising from financial instruments are more fully described in note 22 to the financial statements.

Counterparty risk

The risk that suppliers, for whatever reason, are unable to deliver product is an increasing industry risk. When suppliers fail to deliver (normally due to issues of working capital driven by high oil or raw material prices or reduced credit lines), this can have a material impact on the Company's cost of product and supply strategy.

The Company has further strengthened its existing policy of applying counterparty limits to all non oil major or vegetable oil major suppliers prior to entering into a transaction. These limits are then subject to regular review throughout the term of the contract.

Liquidity risk

The risk that runaway oil prices impact on the Company's working capital has received more attention over the last year.

During the period the Company increased both of its primary bank financing lines. The Group has a Treasury team that forecasts cashflows and models the impact of a change in oil prices to manage this risk.

Fiscal risk

As a major excise duty and VAT payer, cash flows of the Company are impacted by changes in Government fiscal policy. The fuel supply chain could be impacted by unforeseen changes made by the Government.

Credit risk

Most of the Company's customers are FTSE100 or equivalent companies with good credit standing. Additionally, the Company operates a strict policy of applying credit limits to all new customers prior to entering into a transaction. These limits are then subject to regular review throughout the term of the contractual relationship. The Company uses third party credit referencing agencies as an input into this process and monitors all trade debtor balances on a daily basis.

Reputation risk

The risk that non-performance of ship owners, inland hauliers, storage facility operators or other similar ancillary service providers has a knock-on negative effect on the Company's reputation, including the risk associated with ensuring the Company's biofuels are sourced from sustainable suppliers. The Company endeavours to develop and maintain excellent relationships with all of its service providers. However, where unavoidable incidents occur, the Company's communications department is available to manage public relations.

Business interruption risk

The Company has successfully tested a comprehensive disaster recovery plan to address situations that could lead to an extended interruption in business. This includes a detailed written procedure to follow with clearly identified responsibilities, and the provision of backup computer systems hardware and remote access facilities should any of the Group's operational offices become inaccessible for any reason. The plan includes contingency in the event of a flu pandemic.

Results and dividends

The retained profit for the period of £20,377,000, (2009: £18,866,000) has been taken to reserves.

The directors have proposed a final ordinary dividend of £5,000,000 in respect of the current period. This has not been included within creditors as it was not approved before the period end.

No dividend was paid during the period (2009: £4,000,000).

Directors' report (continued)

Political and charitable contributions

The Company made no charitable donations during the period (2009: nil). No political donations were made and no political expenditure was incurred during the period (2009: £nil).

Sustainability

Greenergy has sought to set standards of best practice on biofuel sourcing by (i) maximising the greenhouse gas emissions savings from the biofuel that it supplies and (ii) obtaining the best possible supply chain information for higher risk feedstocks. The Company has developed its own sustainability criteria for Brazilian bioethanol and, through an extensive programme of site visits, consultancy support and third–party audits, has delivered significant volumes of bioethanol meeting the UK Government's "gold standard" for sustainable biofuel. It was the first Company to achieve this milestone.

Key performance indicators

The Company uses a number of key performance indicators to evaluate its overall performance from a financial, operations, social and environmental perspective. The Company's key financial and other performance indicators performance during the period were as follows:

	14 April 2010	31 March 2009	Change %
Gross profit (£'000)	**83,010**	76,181	+9%
Volume of fuel supplied (MT)	**6,365,000**	4,813,000	+32%
Haulage performance - on time deliveries (%)	**99.1%**	98.9%	+0.2%
Accurate invoices (%)	**98.7%**	99.2%	-0.5%

Gross profit

During the period, gross profit increased by 9%. This was primarily driven by increased sales volumes which increased by 32% (see below).

Volume of fuel supplied

Total volume has increased by 32%. The Company continues to win increased business with new and existing customers due to our strategy of offering high service levels at value. The growth in volume has been achieved under the backdrop of an overall decrease in the UK fuel market.

Haulage performance

With the logistics manager recruited into Group in the prior year, the Company has been able to actively manage the effectiveness and efficiency of the fleet. Whilst performance there has improved there have been a high number of vehicle related issues and as such the Company plans to implement a fleet replacement programme throughout 2010 in order to improve the fleets reliability.

Percentage of accurate invoices

The number of monthly invoices generated more than doubled year on year due to the increase in sales. This increase caused a slight drop in invoice accuracy. The Company continues to review its processes to improve accuracy further.

Future developments

The Group has opened a terminal in Teeside in July 2010. The Group continues to evaluate additional opportunities to improve its distribution network.

Directors

The directors who served during the year and up to the date of this report were as follows:

- A W Owens (Chairman)
- C S Lumbard
- P T Bateson
- M A Wellings (resigned 12 July 2010)
- T P Magdani (appointed 12 July 2010)

Directors' report (continued)

Disclosure of information to auditors

Each of the directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

During the year the directors reappointed PricewaterhouseCooopers LLP as auditors of the Company.

By order of the board

R W Clifton
Company secretary
23 July 2010

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

R W Clifton
Company secretary
23 July 2010

Independent auditors' report to the members of Green*ergy* Fuels Limited

We have audited the financial statements of Green*ergy* Fuels Limited for the period ended 14 April 2010 which comprise the Profit and Loss Account, the Note of Historical Cost Profit and Loss, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, and the related notes . The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 8 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 14 April 2010 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

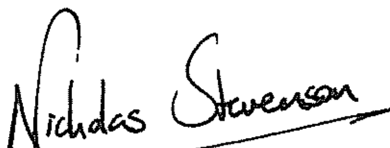
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Nicholas Stevenson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 July 2010

Profit and loss account
for the period ended 14 April 2010

	Note	54 week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Turnover	2	**2,800,514**	2,340,018
Cost of sales		**(2,717,504)**	(2,263,837)
Gross profit		**83,010**	76,181
Distribution costs		**(33,796)**	(28,360)
Administrative expenses		**(19,754)**	(13,532)
Other operating income		**-**	1,113
Operating profit	3	**29,460**	35,402
Interest receivable and similar income	6	**1,864**	6,299
Interest payable and similar charges	7	**(2,997)**	(5,802)
Profit on ordinary activities before taxation		**28,327**	35,899
Tax on profit on ordinary activities	8	**(7,950)**	(17,033)
Profit on ordinary activities after taxation		**20,377**	18,866

The results stated above are all derived from continuing operations.

A statement of total recognised gains and losses has not been included as part of these financial statements as the Company made no gains or losses in the period other than disclosed above in the profit and loss account.

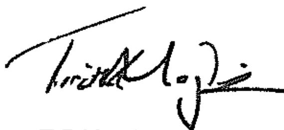
Note of historical cost profits and losses for the period ended 14 April 2010

	54 week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Reported profit on ordinary activities before taxation	**28,327**	35,899
Impact of recognising stock and financial instruments at market value and fair value respectively	**22,487**	(19,960)
Historical cost profit on ordinary activities before taxation	**50,814**	15,939
Historical cost profit for the period after taxation	**36,586**	11,476

Balance sheet
as at 14 April 2010

	Note	14 April 2010 £'000	31 March 2009 £'000
Fixed assets			
Tangible assets	10	**4,912**	1,829
Investments	11	**3,390**	3,330
		8,302	5,159
Current assets			
Stock	12	**250,768**	175,412
Debtors	14	**542,258**	381,301
Cash at bank and in hand		**139,600**	106,375
		932,626	663,088
Creditors: amounts falling due within one year	15	**(880,944)**	(628,640)
Net current assets		**51,682**	34,448
Total assets less current liabilities		**59,984**	39,607
Net assets		**59,984**	39,607
Capital and reserves			
Called up share capital	17	**1,333**	1,333
Share premium account	18	**1,549**	1,549
Profit and loss account	18	**57,102**	36,725
Total shareholders' funds		**59,984**	39,607

The financial statements on pages 9 to 25 were approved by the board of directors on 23 July 2010 and were signed on its behalf by:



T P Magdani
Director

Reconciliation of movements in shareholders' funds for the period ended 14 April 2010

	14 April 2010 £'000	31 March 2009 £'000
Profit on ordinary activities after taxation	**20,377**	18,866
Dividends paid	**-**	(4,000)
Opening shareholders' funds	**39,607**	24,741
Closing shareholders' funds	**59,984**	39,607

Notes to the financial statements for the period ended 14 April 2010

1. Principal accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, modified to include the revaluation of stocks of fuel products and Renewable Transport Fuels Obligation Certificates held for trading. Further details of the Directors' consideration of the going concern basis are provided under 'Liquidity Risk' in note 22 to the financial statements. The principal accounting policies, which have been applied consistently throughout the period are set out below.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods represents net invoiced sales of fuel products, excluding value added tax and excise duty. Revenue is recognised when the risks and rewards of ownership have transferred to the buyer.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Dividend income

Revenue is recognised when the Company's right to receive payment is established.

Stocks

Stocks of fuel products are valued at market value by reference to quoted market prices at period end with the resulting difference being recognised in the profit and loss account through cost of sales. Duty paid on stock is valued at cost. This is a departure from both SSAP 9 'Stocks and long-term contracts', which requires stock to be carried at the lower of cost and net realisable value, and from the current cost accounting rules of the Companies Act 2006 which require any recognised differences between market value and historical cost to be taken to a revaluation reserve. In the view of the directors, the treatments prescribed by SSAP 9 'Stocks and long-term contracts' or the current cost accounting rules would not present a true and fair view because the stocks of fuel products held are marketable commodities traded on international markets and are therefore immediately saleable and the derivatives which the Company uses to manage exposures to inventory price movements are also recognised at fair value through the profit and loss account.

Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If any such indication exists, a full impairment review is undertaken for that asset or group of assets, and the estimated loss is recognised in the profit and loss account. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Financial instruments

Financial instruments such as futures and swap contracts are entered into in order to hedge exposure to price fluctuations which arise on stock and purchases and sales of oil products. Derivative financial instruments are recognised at fair value and gains and losses on remeasurement of contracts at the balance sheet date, arising as a result of changes in the fair value of such contracts, are taken to cost of sales.

The fair value of derivative financial instruments such as swaps and futures is determined by reference to the traded price of that instrument on the relevant exchange or over the counter market at the balance sheet date.

Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ('cash flow hedges') are recognised directly in equity and any ineffective portion is recognised immediately in the profit and loss account. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the profit and loss account in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gains or losses relating to cash flow hedges recognised in equity are recognised in the profit and loss account.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the profit and loss account immediately.

Fixed price sales and purchase contracts for the delivery of specified quantities of a commodity at a determined future date which are in the scope of FRS 26 based on a practice of net settlement of such contracts are calculated by reference to the difference between the market index price of the relevant commodity at the balance sheet date and at the contract pricing date(s).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the beginning of each month. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash and cash equivalents

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Cash flow statement

The company is a wholly owned subsidiary of Greenergy International Limited and is included in the consolidated financial statements of Greenergy International Limited. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)'.

Investments in debt and equity securities

Investments in subsidiary companies held in the Company are stated at cost less impairment.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful lives once the asset has been successfully commissioned and is proven to be able to operate at normal levels. Estimated useful lives are as follows:

Plant and machinery: 2 to 15 years

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred except as noted below.

Expenditure on the development of projects under construction where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility is capitalised and amortised over the same period as the associated plant and machinery. Any capitalisation and deferment of costs is carried out in accordance with SSAP 13 'Accounting for research and development'.

Related party transactions

As 100% of the company's voting rights are controlled within the group headed by Greenergy International Limited, the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' not to disclose transactions or balances with entities that are either part of the group or investees in the group qualifying as related parties. The consolidated financial statements of Greenergy International Limited, within which this Company is included, can be obtained from the address given in note 21.

Renewable Transport Fuel Obligation (RTFO)

Since 1 April 2008 the Company has been part of the Renewable Transport Fuel Obligation (RTFO) Scheme under which it is required to meet annual targets for the supply of biofuels. The obligations which arise are either settled by cash or through the delivery of certificates which are generated by the Company through the blending of biofuels. To the extent that the Company generates certificates in excess of its current year obligation, these can either be carried forward to offset up to 25% of the next year's obligation of the Company or sold to other parties.

The liability associated with the Company's obligations under the scheme is recognised in the period in which the obligation arises and is valued by reference to either the cost of generating the certificates which will be surrendered to meet the obligation or the expected future cash outflow where cash settled.

Certificates generated or purchased during the period which will be used to settle the current or future period obligation are recognised at the lower of cost and net realisable value. Where certificates are generated, cost is deemed to be the average cost of blending biofuels during the period in which the certificates are generated.

Certificates held for sale to third parties are recognised at fair value by reference to period end market prices. Changes in market prices of the certificates and the quantity of tickets considered to be realisable through external sales are recognised immediately in the profit and loss account. This is a departure from both SSAP 9 'Stocks and long term contracts', which requires stock to be carried at the lower of cost or realisable value, and from the current cost accounting rules of Companies Act 2006 which require any recognised differences between market value and historical cost to be taken to a revaluation reserve. In the view of the directors, the treatment prescribed by SSAP 9 'Stocks and long-contracts' or the current cost accounting rules would not present a true and fair view because the decision to either generate or purchase certificates in excess of the Company's current or future obligation is made by reference to the value that can only be realised by the sale of those certificates on an active market over the remaining finite life of the certificates. Therefore the recognition of that value at the time the certificates are purchased/generated is required to provide a true and fair view of the performance of the Company for the period.

Certificates for which no active market is deemed to exist are not recognised.

Notes to the financial statements (continued)

2. Turnover

All of the company's turnover originates in the United Kingdom and is derived in a single business segment, that being the blending, supply and marketing of transportation fuels.

3. Operating profit

	54 week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Company operating profit is stated after charging / (crediting):		
Operating lease rentals		
Other	**21,680**	15,207
Depreciation of tangible fixed assets	**377**	447
Foreign exchange (gain)	**(4,744)**	(8,820)
Auditors remuneration:		
Audit of these financial statements	**61**	55

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4. Remuneration of directors

During the period, directors received no emoluments in respect of qualifying services to the Company. All emoluments paid to, or receivable by, directors are paid by the company's parent company, Greenergy International Limited in respect of their services as either directors or employees of that company. With the exception of one director, all the Company's directors who served during the period and up to the date of these financial statements were also directors of Greenergy International Limited. Details of the emoluments paid by Greenergy International Limited to its directors are included in the financial statements of Greenergy International Limited.

5. Staff numbers and costs

During the period, all staff were employed by Greenergy International Limited and the appropriate costs are recharged by way of management fees.

6. Interest receivable and similar income

	54 Week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Interest receivable on:		
Bank balances	**98**	1,417
Balances with group companies	**1,766**	4,816
Other loans	**-**	66
	1,864	6,299

Notes to the financial statements (continued)

7. Interest payable and similar charges

	54 Week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Interest payable on:		
Bank balances	**2,515**	3,970
Balances with group companies	**354**	1,632
Other loans	**128**	200
	2,997	**5,802**

8. Tax on profit on ordinary activities

	54 Week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Current tax		
UK corporation tax charge at 28% (2009: 28%)	**7,740**	10,046
Group relief claimed / payment made in excess of tax value	**-**	7,000
Adjustment in respect of previous years	**6**	(15)
Total current tax charge	**7,746**	17,031
Deferred tax (note 16)		
Origination and reversal of timing differences	**192**	6
Adjustment in respect of previous years	**12**	(4)
Total deferred tax charge	**204**	2
Tax on profit on ordinary activities	**7,950**	**17,033**

The current tax charge for the period is higher (2009: higher) than the standard rate of corporation tax in the UK (28%, 2009: 28%). The differences are explained below:

	54 Week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Profit before tax	**28,327**	35,899
At tax 28% (2009: 28%)	**7,932**	10,052
Effects of:		
Expenses not deductible for tax	**-**	-
Capital allowances in excess of depreciation	**(192)**	(6)
Group relief / payment made in excess of tax value received	**-**	7,000
Adjustments in respect of previous years	**6**	(15)
Total current tax charge	**7,746**	17,031

Factors that may affect future tax charges:
Subsequent to period end the Government has announced that legislation will be introduced to cut the rate of corporation tax from 28% to 27% for financial years commencing on or after 1 April 2011. Further tax cuts are planned in future years reducing the rate of corporation tax to 24% by 2014/15. These changes have not been applied as they have not been substantially enacted.

Notes to the financial statements (continued)

9. Dividends

	54 Week period ended 14 April 2010 £'000	Year ended 31 March 2009 £'000
Previous year final dividend paid Nil per share (2009: £3.00 per share)	-	4,000

The directors have proposed a final ordinary dividend of £5,000,000 in respect of the current period (2009: nil). This has not been included within creditors as it was not approved before the year end.

10. Tangible fixed assets

	Plant and machinery £'000	Total £'000
Cost		
At 1 April 2009	2,867	2,867
Additions	3,467	3,467
Disposals	(11)	(11)
At 14 April 2010	**6,323**	**6,323**
Accumulated depreciation		
At 1 April 2009	(1,038)	(1,038)
Charge for the period	(377)	(377)
Disposals	4	4
At 14 April 2010	**(1,411)**	**(1,411)**
Net book value at 14 April 2010	**4,912**	**4,912**
Net book value at 31 March 2009	1,829	1,829

11. Investments

	Group undertaking £'000
Cost	
At 1 April 2009	3,330
Additions	60
At 14 April 2010	**3,390**

Name of undertaking	Country of registration	Description of shares held	Proportion of voting rights and nominal value of issued shares held:	Principal activity
Greenergy Biofuels Limited	England and Wales	Ordinary shares	100%	Construction and operation of biofuel production plants and distribution of resultant products.
Greenergy Bioethanol SA	Switzerland	Ordinary shares	100%	Trading entity working to procure sustainable bioethanol

Notes to the financial statements (continued)

11. Investments (continued)

On 18 January 2010, Greenergy Fuels Limited ('GFL') subscribed for share capital of a newly incorporated Greenergy Bioethanol SA ('GBS'). At the period ended 14 April 2010, this entity remained dormant with operations commencing subsequent to year end.

Both of the above companies operate principally in their country of incorporation or registration. The directors believe that the carrying value of the investments is supported by their underlying net assets.

12. Stock

	14 April 2010 £'000	31 March 2009 £'000
Fuel products	**225,839**	171,673
RTFO certificates - own use	**16,636**	3,739
RTFO certificates - held for trading	**8,293**	-
	250,768	175,412

At 14 April 2010, application of the Company's stock valuation policy resulted in a stock value £5,765,000 higher (2009: £4,752,000 higher) than a valuation at the lower of cost and net realiseable value.

13. Financial instruments by category

The accounting policies for financial instruments in Note 1 have been applied to the line items below:

	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Total £'000
Assets at 14 April 2010			
Derivative financial instruments (level 1)	-	-	-
Derivative financial instruments (level 2)	-	**7,700**	**7,700**
Debtors	**524,200**	-	**524,200**
Cash	**139,600**	-	**139,600**
	663,800	**7,700**	**671,500**
Assets at 31 March 2009			
Derivative financial instruments (level 1)	-	7,438	7,438
Derivative financial instruments (level 2)	-	35,811	35,811
Debtors	337,082	-	337,082
Cash	106,375	-	106,375
	443,457	43,249	486,706

	Other financial liabilities £'000	Liabilities at fair value through profit and loss £'000	Total £'000
Liabilities at 14 April 2010			
Creditors	**264,275**	-	**264,275**
Derivative financial instruments (level 1)	-	**4,890**	**4,890**
Derivative financial instruments (level 2)	-	**3,886**	**3,886**
	264,275	**8,776**	**273,051**

Notes to the financial statements (continued)

13. Financial instruments by category

Liabilities at 31 March 2009	Other financial liabilities £'000	Liabilities at fair value through profit and loss £'000	Total £'000
Creditors	373,574	-	373,574
Derivative financial instruments (level 1)	-	-	-
Derivative financial instruments (level 2)	-	20,825	20,825
	373,574	20,825	394,399

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise exchange traded commodity derivative financial instruments.

13. Financial instruments by category (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

No analysis of where hedge accounting has been applied is provided because the hedged amount is considered immaterial to these financial statements.

14. Debtors

	14 April 2010 £'000	31 March 2009 £'000
Trade debtors	**400,179**	231,779
Less: Provision for impairment of receivables	**(116)**	(62)
	400,063	**231,717**
Amounts owed by Group undertakings	**64,644**	50,705
Deferred tax asset (see note 16)	-	22
Other debtors	**183**	274
Prepayments	**10,358**	948
Accrued income	**67,010**	97,635
	542,258	381,301

No analysis of the age of financial assets that are past due at the balance sheet date but not impaired is provided because the risk of exposure on these assets is considered to be immaterial to the financial statements. The carrying amounts of trade debtors and other receivables approximate to their fair values.

Trade and other receivables are predominantly non-interest bearing.

The carrying amounts of the Company's debtors are denominated in the following currencies:

	14 April 2010 £'000	31 March 2009 £'000
Pounds	**464,605**	292,324
US Dollars	**76,879**	81,030
Euros	**312**	7,922
Swiss Francs	**462**	25
	542,258	381,301

Notes to the financial statements (continued)

14. Debtors (continued)

As of 14 April 2010, trade debtors with a carrying value of £125,000 (2009: £64,000) were provided for. The amount of the provision was £116,000 (2009: £62,000). The aging of these debtors is as follows:

	14 April 2010 £'000	31 March 2009 £'000
1-10 Days	**106**	-
30+ Days	**10**	62
	116	62

The debtors which have been provided for at the period end have either entered administration and have been fully provided or are experiencing unexpected financial difficulty and it was assessed that not all of the debtor balance may be recovered.

During the period, debtors written off as uncollectible amounted to £67,000 (2009: £98,000).

The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The company does not hold any collateral as security.

	14 April 2010	14 April 2010	31 March 2009	31 March 2009
	Charge / (credit) to profit & loss account £'000	Fair value asset / (liability) £'000	Charge / (credit) to profit and loss account £'000	Fair value asset / (liability) £'000
Derivative financial instruments	**26,328**	**1,559**	(37,129)	27,887
Sales and purchase commodity contracts	**(2,828)**	**(2,635)**	16,726	(5,463)
	23,500	**(1,076)**	(20,403)	22,424
Included in prepayments and accrued income		**7,700**		43,249
Included in accruals and deferred income		**(8,776)**		(20,825)
		(1,076)		22,424

Derivative financial instruments shown above generally relate to exchange traded commodity derivatives and over-the-counter contracts. Sales and purchase commodity contracts relate to open contracts that the Company has entered into (see note 22).

15. Creditors: amounts falling due within one year	14 April 2010 £'000	31 March 2009 £'000
Bank overdrafts	**58,830**	259,841
Trade creditors	**62,386**	25,206
Amounts owed to Group undertakings	**11,061**	14,143
Corporation tax	**4,207**	4,495
Deferred tax liability (see note 16)	**182**	-
RTFO - current year obligation	**4,871**	-
Other taxes and social security	**598,012**	229,746
Accrued expenses	**136,888**	95,179
Deferred income	**4,507**	30
	880,944	628,640

Notes to the financial statements (continued)

15. Creditors: amounts falling due within one year

The carrying amounts of trade creditors and other payables approximate to their fair values. Trade and other payables are predominantly non-interest bearing.

Bank overdrafts	Maturity	14 April 2010 £'000	31 March 2009 £'000
Bank overdrafts:			
United Kingdom	On demand	-	150,260
Non United Kingdom	On demand	**58,830**	109,581
		58,830	259,841

Interest on the bank overdrafts is charged at a commercial margin above LIBOR (United Kingdom) and FED (Non-United Kingdom).

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	14 April 2010 £'000	31 March 2009 £'000
Pounds	**706,562**	396,461
US Dollars	**165,060**	221,724
Euros	**3,607**	10,455
Swiss Francs	**5,715**	-
	880,944	628,640

16. Deferred taxation

	Deferred taxation £'000
At 1 April 2009	22
Difference between accumulated depreciation and capital allowances	(204)
At 14 April 2010	**(182)**

17. Called up share capital

	14 April 2010 £'000	31 March 2009 £'000
Authorised		
1,333,333 ordinary shares of £1 each (2009: 1,333,333 shares)	**1,333**	**1,333**
Allotted, called up and fully paid		
1,333,333 ordinary shares of £1 each (2009: 1,333,333 shares)	**1,333**	**1,333**

Notes to the financial statements (continued)

18. Reserves

	Profit and loss account £'000	Share premium account £'000
At 1 April 2009	36,725	1,549
Profit for the financial period	20,377	-
At 14 April 2010	**57,102**	**1,549**

For the period ended 14 April 2010, application of the Company's stock valuation policy resulted in a gain before tax of £1,013,000 (2009: £443,000). Had the Company not departed from the requirements of SSAP 9, the Company's profit and loss reserve would have been £52,951,200 (2009: £31,973,000).

19. Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Plant & Machinery	
	14 April 2010 £'000	31 March 2009 £'000
Operating leases which expire:		
within one year	**9,712**	2,003
within two to five years inclusive	**7,949**	11,301
in over five years	**-**	1,902
	17,661	15,206

20. Contingencies

The Company has given fixed and floating charges over all its assets in favour of their principal bankers to secure the liabilities to such bankers.

The aggregate secured liabilities comprise:	14 April 2010 £'000	31 March 2009 £'000
Bank overdrafts	**58,830**	259,841

The Company has also provided unsecured guarantees to the Dutch Collector of Taxes amounting to €904,000 (2009: €904,000).

21. Ultimate controlling party

The directors consider the company's ultimate parent undertaking to be Gree*nergy* International Limited which is incorporated in England and Wales. Copies of Gree*nergy* International Limited's financial statements are available from 198 High Holborn, London, WC1V 7BD. This is the only group into which the financial statements of the Company are consolidated.

Notes to the financial statements (continued)

22. Nature and extent of risks arising from financial instruments

The directors have identified the following types of risk which may arise from the use of financial instruments.

Credit risk

The Company is exposed to credit risk from its operating activities (primarily trade receivables and derivative instruments) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

In respect of trade receivables, the Company operates a strict policy of applying credit limits to all new customers prior to entering into a transaction. These limits are then subject to regular review throughout the term of the contractual relationship. The Company uses third party credit referencing agencies as an input into this process and monitors all trade debtor balances on a daily basis.

The counterparties involved in the Company's other financial instruments such as swaps, futures and fixed price sales and purchase contracts within the scope of FRS 26 are subjected to the same credit review process. In addition, contractual terms for all such instruments are reviewed in detail to ensure that credit risk is minimised.

Credit risk from balances with banks and financial institutions is managed by the Treasury team. Investments of surplus funds are only made with approved counterparties who have a rating of 'A1' or higher. The table below shows the credit rating and the utilisation of the credit facilities of the two primary lenders at the balance sheet date.

		14 April 2010		31 March 2009	
Counterparty	Rating	Credit facility £'000	Utilised £'000	Credit facility £'000	Utilised £'000
Barclays	A+	**285,000**	**-**	185,000	130,700
BNP Paribas	AA	**304,010**	**46,962**	182,405	108,286

Because of the processes detailed above, the directors believe there is no material exposure to credit risk on the Company's financial instruments at the balance sheet date.

Liquidity risk

The Company's treasury department constantly monitors the cash position by maintaining up-to-date cash flow projections so that appropriate action may be taken to ensure financial liabilities are met as they become due. In addition, the Company aims to maintain a net current asset position. The directors therefore consider that the exposure to liquidity risk is low.

In managing its working capital requirements, the Company relies on both committed and uncommitted revolving facilities with which the uncommitted facility could be withdrawn at any time. The Company has been trading in this way on the uncommitted facility with the same principal bankers for the past 18 years. Given the long standing nature of this relationship, the bankers' willingness across this period to expand the facilities in light of the growth in the Company's working capital requirements and verbal assurances received from the bankers, the directors are satisfied that these facilities will continue to be available.

Market risk

This area can be further subdivided into fuel product price risk, foreign exchange risk and interest rate risk which are addressed separately below.

a) Fuel product price risk

Fuel product prices are subject to international supply and demand, which are themselves particularly dependent on political climates throughout the world. The resulting risk of product price fluctuations impacting the future cash flows is therefore high.

The Company has developed comprehensive internal control processes and hedging mechanisms to minimise this inherent risk. The objective of these mechanisms is to match the priced physical positions (generated from spot and term contracts entered into with suppliers and customers) with equal and opposite derivative positions. In order to achieve this, the risk management department analyses the priced position for each product type throughout each day. Traders use this information to identify the most appropriate derivative for hedging purposes.

Notes to the financial statements (continued)

22. Nature and extent of risks arising from financial instruments (continued)
Market risk (continued)
a) Fuel product price risk (continued)
The main types of hedge transaction which the Company enters into are as follows:

i) Exchange-traded commodity derivatives
Typically in the form of futures and options traded on a recognised exchange such as the International Petroleum Exchange or the New York Mercantile Exchange. The fair value of these derivatives changes with movements in the underlying commodity price. The Company is generally obliged to make margin calls to the exchange where the fair value of the instrument is in favour of the exchange. The Company generally closes out any futures contracts prior to crystallisation.

At 14 April 2010, if the closing price for each of the Company's exchange-traded commodity derivatives had been 1 US Dollar per metric tonne lower with all other variables held constant, consolidated post tax profit for the period would have been £9,000 (2009: £47,000) higher.

ii) Over-the-counter ('OTC') contracts (continued)

Typically in the form of commodity swaps. OTC contracts are negotiated between two parties and are not traded on an exchange. Swaps are entered into in respect of specified indices and time periods. The amount payable under such instruments varies directly with the quote of those indices over the specified period. The Company is generally obliged to make margin calls to the counterparty where the fair value of the instrument is in favour of the counterparty.

At 14 April 2010, if the closing price for each of the Company's open OTC contracts had been 1 US Dollar per metric tonne lower with all other variables held constant, consolidated post tax profit for the period would have been £20,000 (2009: £115,000) higher.

iii) Sales and purchase fixed price contracts
Typically in the form of fixed price spot and term physical contracts which fall within the scope of FRS 26 due to the Company's established practice of net settling such instruments. The fair values of the hedges embedded in fixed price sales and purchase contracts for the delivery of specified quantities of a commodity at a determined future date are calculated by reference to the difference between the market index price of the relevant commodity at the balance sheet date and at the contract pricing date(s).

At 14 April 2010, if the market price indices of the relevant commodities for the total priced physical position had been 1 US Dollar per metric tonne lower with all other variables held constant, consolidated post tax profit for the period would have been £125,000 (2009: £138,000) lower.

b) Foreign currency exchange risk
The Company purchases fuel products mainly in US Dollars and Euros. Because the international oil markets generally price in US Dollars, and the majority of the Company's UK customers wish to purchase fuel products in Pounds Sterling, there can be a significant foreign currency exchange risk inherent in this aspect of the business. In order to minimize the financial effect of this risk, the Company looks to ensure that at all times, the financial assets denominated in a particular currency match the financial liabilities denominated in the same currency. Where product is purchased and sold in the same currency, no foreign exchange exposure exists.

Where the stock is denominated in US Dollars and a sale is priced in Pounds Sterling, a net US Dollar financial liability is generated, resulting in a potential foreign exchange exposure. Where purchases and sales are priced in different currencies, the treasury department buys or sells currency to balance the assets and liabilities by currency, thus eliminating this transactional foreign exchange risk.

As a further control, balance sheets for each of the Company's major currencies are prepared on a monthly basis and any surplus assets or liabilities are hedged as appropriate.

c) Interest rate risk
Interest on the Company's deposits/overdrafts is credited/charged on a daily basis based on LIBOR plus a commercial margin. The directors consider that there is no material exposure to interest rate risk on the Company's financial instruments at the balance sheet date.

Notes to the financial statements (continued)

23. Capital Management

The Company's objective for managing capital is to maintain a solid capital base in order to preserve the confidence of the investors and creditors and to sustain future development of its businesses. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The Company is subject to various banking covenants on their financing facilities. These generally take the form of a requirement to meet a variety of financial ratio targets. Such targets are monitored as part of the regular reporting processes for the entities concerned. No banking covenants were breached during the reporting period. One of the covenants places a restriction on the level of dividend which the Company may distribute to its shareholders.

A variety of financial modelling techniques are employed in the appraisal of potential capital expenditure projects and board approval is required before such projects are entered into.

There were no changes in the Company's approach to capital management during the period.