

Petrogas Group Limited

Annual Review and Financial Statements 2008





in for

a fill-up

a break

a latté

a sandwich

a water

a juice

a phone top-up



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reen

Fresh results



52 Service destinations

570 Employees Ireland
and UK

407,000 Transactions weekly

80% Growth in Group profit

155,000 Coffees sold monthly

now that's better

Chairman's Review



Robert C Etchingham
Chief Executive Officer



I am pleased to report that 2007/08 was an outstanding year for the Group.

We continued to expand our forecourt network and also grew 'like for like' sales at our existing sites. We carefully managed our cost base, whilst at the same time generating margin improvements in a number of areas. This has resulted in a 52% increase in Turnover to €239m and an 80% increase in Group Profits to €5.361m. Group EBITDA increased from €6.1m in 2006/07 to €10.1m in 2007/08, an increase of 66%.

Petrogas is Ireland's largest independent forecourt retailer. This position has been achieved through organic growth especially over the last five years. Our business model is based on growth through the acquisition of new service stations and the redevelopment of old stations. Our proven property and transaction skills have allowed us to acquire locations

that will in time develop into excellent forecourt retail outlets and add value to our retail network.

A large number of our stations operate under our Applegreen brand. Applegreen has proven remarkably successful since its launch in 2005. It has generated significant customer loyalty with its promise of 'Low Fuel Prices, Always' as well as providing fresh produce, a wide ranging Food to Go offering and of course, real coffee.

Probably the most significant development during the year was Petrogas' expansion into the UK forecourt market. In April we opened our first UK service station in Crawley near Gatwick airport and by the end of June we had opened a further two stations. Expansion has continued since then and over the next few years it is the Group's intention to substantially increase our presence in the UK forecourt market.





52% increase in Turnover to €239m and an 80% increase in Group Profits to €5.361m

As Petrogas continues its expansion it is vital that the appropriate infrastructure is put in place to support this growth. This is something we as a Board paid particular attention to during this financial year.

Firstly, in September 2007 we moved to our new modern offices in Parkwest. These offices will provide the necessary space to allow us to support our growing site network as well as providing an excellent environment for our staff to work in.

Secondly, we have invested in new information systems, which among other things, will help us produce accounts and management information in a more efficient and timely manner.

Finally, and most importantly we have invested in our people both in our shops and in our head office. At shop level we sought out station managers of the highest quality with strong retail backgrounds.

Our UK team is led by Michael O'Loughlin formerly our Retail Operations Director. Michael is supported by a management

team that mixes years of experience in the UK forecourt trade with a team of expat Petrogas staff, familiar with all aspects of today's forecourt retail business.

In our Irish Head office we have made a significant investment in people at all levels. In particular we have bolstered our management team across all departments. Damian Kennedy joined the Group in August 2007 as head of Finance and was appointed Finance Director in May 2008. These appointments will give the Group the necessary skills required as we continue to grow in the future. In addition we introduced a Share Option scheme for senior management to provide a long term incentive for the key members of our senior management.

The Board recognises the dramatic changes that have taken place in the trading environment in Ireland and the UK as 2008 progressed. The crisis in the banking sector has presented challenges for a company committed to growing its business in what is a very capital intensive sector.

The Group has made a number of changes to its operations in response to the new market conditions and I am pleased to say that despite the economic downturn we will again enjoy positive 'like for like' growth across our retail network in 2008. This is a very creditable performance in difficult market conditions.

Whilst the Group is, of course, conscious of the near term challenges presented by the downturn in 2009, we remain very optimistic about the medium term prospects for Petrogas in the forecourt retailing sector.

I would like to take this opportunity to thank our loyal and dedicated team in both Ireland and the UK who have contributed to producing what is an excellent performance.

Robert Etchingham

The History



Robert C Etchingam
Chief Executive Officer



Joe Barrett
Director



Michael O'Loughlin
Managing Director UK



Damian Kennedy
Finance Director

Petrogas was founded in 1992 by Bob Etchingam and Joe Barrett. Their combined experience in directly managing and operating retail forecourts in Ireland and the UK resulted in partnership infused with a pioneer spirit and a shared vision for the future of forecourts and retail stores. Petrogas quickly gained a well deserved reputation as experts in turning around underperforming retail forecourt operations, tailoring the stores to suit the local community. Their success lay in spotting opportunities in an evolving market creating innovative and farsseeing partnerships with the major oil companies and top food suppliers. Petrogas is credited, by many in the industry, with changing the face of forecourt retailing and bringing many new ideas to the sector.

With the launch of Applegreen and Discount Deals in 2004/2005 the Petrogas forecourt models were successfully marketed under the trademark banner 'low fuel prices, always'. The unprecedented success of the two brands fuelled growth which saw the number of sites double from 25 in 2005 to 45 in Ireland and 7 in the UK by September 2008, making Petrogas the largest independent forecourt operator in Ireland. The sites are situated in rapidly growing suburban areas and along Ireland's main arteries. The brands enjoy huge customer loyalty which is due in no small measure to the consistently keen fuel prices and an ever evolving high quality hot and cold food offer, well stocked shops and a much lauded coffee offer. In 2005 Operations Manager Michael O'Loughlin who had been with Petrogas for 12 years, was appointed a Director of the Company and in 2008 he was appointed Managing Director of Petrogas UK Ltd.



The Offer

By providing state-of-the-art facilities, namely bright well stocked shops, convenient forecourt locations, premium carwash centres, free Wi-Fi, superb toilet facilities and comfortable seating areas, Applegreen has always stayed one step ahead of its competitors.

We are passionate about giving our customer the best possible experience and value without compromising quality. The resounding success of our own-brand products showed that our customers react strongly to high quality at a fair price. Within 3 months of its launch, our own-brand bottled water, 'The Water', had captured 23% of total water category sales, proving that by echoing our 'low fuel prices, always' promise, with €1/1 litre, we provided our customers with yet another simple solution.

Our outstanding and constantly evolving hot & cold food offer was developed with a view to offering high quality combined with fair prices. For the customer in a hurry our own-brand salads, sandwiches, treats and desserts to go, packed and delivered fresh daily, offer the perfect simple solution.

Forging a successful partnership with Lavazza, Italy's favourite coffee brand, we developed our Full of Beans speciality coffee offer. Working together with top coffee machine manufacturers we developed an offer which delivers a full selection of quality speciality coffees. This allows us to supply consistently great coffee in all our locations, large or small, whether from our Barista Bar or Self Service machine. Our Full of Beans is simply the best coffee on the road, and with 155,000 average monthly cup sales, it ensures our customers keep coming back for more.



**'The Water', had captured 23%
of total water category sales**

Petrogas in the UK



Michael O'Loughlin
Managing Director UK

During the 2007/08 financial year, a management team was established to support the planned future expansion of Petrogas in the UK. Michael O'Loughlin was appointed Petrogas Managing Director UK and located the UK Head Office in Ampthill, Bedfordshire.

Towards the end of the financial year Petrogas began trading at the Crawley, Norton Heath and Peterborough sites and development of the first Applegreen branded site began in Enfield. Bolstered by the very positive reaction to our business model by the UK consumer, plans for future growth have been put in place with further new sites planned for the following years.



Into the Future

We believe that Petrogas has over the past few years built up a distinct advantage over our competitors through strong investment in Food, Trading, Distribution, Development and Acquisitions expertise. Combined with our low price perception business model and the added plus of operating in a relatively resilient defensive sector, we are well placed to continue our growth in the challenging year ahead.

Our expansion in site numbers continued across 2008 and with it the development of the Applegreen and Discount Deal Brands.

In store, the success of 'The Water', our premium own-brand still water, offering exceptional value at 1ltr/€1, will be followed by the introduction and development of further own-brand drink and food offers strengthening the 'good value bond' with our customers.

To complete our commitment to offering simple solutions and great value, 2009 will see the opening of our new Distribution facility which will further allow us to offer better value to

our customers. In addition new tankers will be added to our fuel delivery fleet and new articulated trucks to our distribution system.

Our site audit and training program is now well established and following the recent introduction of a new intranet based training system for all employees we look forward to seeing our customers reaping the benefits of our ongoing investment and commitment to superior customer service levels at all our trading outlets.

We look forward to seeing our customers reaping the benefits of our ongoing investment and commitment





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Directors and Other Information

Directors

Robert Etchingham
Joseph Barrett
Michael O'Loughlin
Damian Kennedy

Secretary

Joseph Barrett

Registered office

Block 17
Joyce Way
Parkwest
Dublin 12

Auditors

Phelan Prescott + Co
Chartered Accountants +
Registered Auditors
Alton House
4 Herbert Street
Dublin 2

Solicitors

Lavery Kirby Gilmartin
McGarr & Co.

Bankers

Anglo Irish Banks plc
ACC Bank plc
Bank of Ireland
Bank of Scotland (Ireland) Limited

Company Number

179991

Report of the Directors

The Directors present their report together with the audited Group financial statements for the year ended June 30, 2008.

Principal activities and review of the business

The principal activity of the Group is the operation of service stations throughout Ireland under the Applegreen brand, and in the UK, for its own account and under licensing arrangements to third party licencees. The Group also holds the master franchise for the Wimpy fast food brand in Ireland and licencees these under franchise arrangements.

The highlights of the Group's financial statements include:

Turnover for the year of	€239 million
Profit before tax of	€5.4 million
Gross assets of	€133 million
Shareholders' funds of	€43 million

System-wide sales include sales by all branded Petrogas/ Applegreen service stations and Wimpy brand restaurants, whether operated by the Group or by licencees, and amounted to €283 million.

There has been no changes in the principal activities of the holding company and subsidiary companies during the financial year.

Profits, dividends and reserves	€'000
Net profit after taxation attributable to the Group	4,719
Dividends paid	(73)
Retained by subsidiary companies	(1,899)
Net profit retained by the holding company	2,747
Profit and loss reserve brought forward – restated	1,153
Profit and loss reserves carried forward	3,900

A surplus of €1.09 million (2007 – €2.584 million) was credited to the revaluation reserve on the revaluation of station properties during the year.

A dividend of 0.121c per Ordinary share was paid in October 2007, costing €72,600.

The Directors do not propose to pay a dividend for the year under review.

Events since the year end and future developments

Since the year end the Group has acquired or agreed to acquire service station properties for approximately €6 million. This includes the acquisition of the entire issued share capital of Tiknock Service Station Limited, an Irish registered company, and Badger Close Limited, a Northern Ireland registered company.

Research and development

The Group did not engage in research and development activity during the year.

Risks and uncertainties

The Group's general business activities may be affected by risks associated with all companies in the fuel distribution and retail sector. The identified risks specific to the business activities include fuel supply interruption, cashflow and environmental pollution from hazardous materials. The Directors take such actions as they deem appropriate to minimise the Group's exposure to identified risks.

Commercial

The Group operates in a highly competitive market, with competitors drawn from local and very large scale multi-national corporations. To mitigate this risk, we focus on delivering superior service at a competitive cost to our customers. To facilitate this at a profitable level, we aim to have the best economies of scale in the industry with central buying and distribution.

The Group benefits from close commercial relationships with key suppliers. Where possible these are underwritten by long term contracts.

Environmental

We have in place programmes to address environmental risk that might arise from our operations.

Report of the Directors *continued*

Subsidiaries and other substantial undertakings

The details of the Company's subsidiaries and substantial undertakings are disclosed in Note 26.

Directors

The present members of the Board, and those who held office during the financial year, are:

Robert Etchingham

Joseph Barrett

Michael O'Loughlin

Damian Kennedy (appointed May 30, 2008)

In accordance with the Articles of Association, Damian Kennedy retires by rotation and, being eligible, offers himself for re-election.

Interests of the Directors/Secretary

The interests of the Directors and Secretary in the share capital of the Company during the year were as follows:-

	Beneficial No. of Ord. Shares
Robert Etchingham	44,998,800
Joseph Barrett	15,061,200
Michael O'Loughlin	–
Damian Kennedy	–
	60,060,000

Michael O'Loughlin was granted options of 1.5m shares on January 29, 2007, exercisable at various dates over a three year period.

Books of account

The measures taken by the Directors to ensure compliance with the requirements of Section 202, Companies Act, 1990, regarding proper books of account are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The books of account are maintained at the Company's head office, Block 17, Joyce Way, Parkwest, Dublin 12 and at various branches.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law. Under that law, the Directors have elected to adopt Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by The Institute of Chartered Accountants in Ireland.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute law comprising the Companies Acts, 1963 to 2006, and the European Communities (Companies: Group Accounts) Regulations, 1992.

Report of the Directors *continued*

The Directors 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.

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

Auditors

The auditors, Phelan Prescott + Co, Chartered Accountants + Registered Auditors, continue in office subject to the provisions of Section 160 of the Companies Act, 1963.

By order of the Board

Robert Etchingham
Directors

Joseph Barrett

December 23, 2008

Independent Auditors' Report to the Shareholders

We have audited the financial statements on pages 16 to 38 of Petrogas Group Limited for the year ended June 30, 2008, which comprise of the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Company balance sheets, the Group cashflow statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This Report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditor's 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 preparing the financial statements in accordance with applicable law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

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 in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with the Companies Acts, 1963 to 2006, and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our Report.

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

Basis of audit opinion

We conducted our audit in accordance with 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's and Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report to the Shareholders *continued*

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Company and of the Group as at June 30, 2008 and of the profit of the Group for the year then ended. In our opinion the financial statements have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's balance sheet is in agreement with the books of account.

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

The net assets of the Company, as stated in the balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at June 30, 2008 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Phelan Prescott + Co

Chartered Accountants + Registered Auditors
Alton House, 4 Herbert Street, Dublin 2

December 23, 2008

Consolidated Profit and Loss Account

For the Year Ended June 30, 2008

	Note	2008 €'000	2007 Restated €'000
Turnover	2	239,338	157,028
Continuing operations		218,746	129,215
Acquisitions		20,592	27,813
Cost of sales		(218,353)	(140,762)
Gross profit		20,985	16,266
Staff costs	3	(8,331)	(6,531)
Depreciation/Amortisation	10/11	(1,681)	(1,474)
Other operating charges		(8,514)	(7,574)
Other operating income	4	6,191	5,105
Group operating profit		8,650	5,792
Continuing operations		8,027	5,020
Acquisitions		623	773
Discontinued operations		-	(1)
Exceptional items – continuing operations	5	(204)	(1,161)
Interest payable and similar charges	6	(3,085)	(1,666)
Group profit before taxation	7	5,361	2,965
Taxation	8	(642)	(493)
Group profit for financial year		4,719	2,472
Dividend	9	(73)	-
Gross profit retained for the year		4,646	2,472

Robert Etchingham
Directors

Joseph Barrett

Consolidated Statement of Total Recognised Gains and Losses

For the Year Ended June 30, 2008

	2008 €'000	2007 Restated €'000
Profit retained for the financial year	4,646	2,472
Foreign exchange transactions	(232)	–
Transfer to shareholders on reorganisation of subsidiary	–	(46)
Unrealised surplus on revaluation of service station properties	1,090	2,584
Total recognised gains and losses for the year	5,504	5,010

Reconciliation of Movements in Shareholders' Funds

For the Year Ended June 30, 2008

	2008 €'000	2007 Restated €'000
Profit retained per financial statements	4,646	2,472
Foreign exchange transactions	(232)	–
Transfer to shareholders on reorganisation of subsidiary	–	(46)
Unrealised surplus on revaluation of service station properties	1,090	2,584
Opening shareholders' funds	37,892	32,882
Closing shareholders' funds	43,396	37,892

Note of Historical Cost Profits and Losses

For the Year Ended June 30, 2008

	2008 €'000	2007 Restated €'000
Profit for financial year before taxation	5,361	2,965
Historical cost profit before taxation	5,361	2,965
Historical cost profit retained for the year after taxation and dividends	4,646	2,472

Consolidated Balance Sheet

At June 30, 2008

	Note	2008 €'000	2007 Restated €'000
Fixed assets			
Intangible assets	10	863	378
Tangible assets	11	115,579	75,042
Financial assets	12	500	500
		116,942	75,920
Current assets			
Stock	13	4,687	3,144
Debtors – amounts falling due within one year	14	8,616	7,602
Debtors – amounts falling due after more than one year	14	882	200
Cash at bank and in hand		1,981	6,960
		16,166	17,906
Creditors – amounts falling due within one year	16	(26,610)	(24,271)
Net current liabilities		(10,444)	(6,365)
Total assets less current liabilities		106,498	69,555
Creditors – amounts falling due after more than one year	16	(63,102)	(31,663)
		43,396	37,892
Financed by			
Capital and reserves			
Called up share capital	19	763	763
Profit and loss account	20	6,886	2,472
Revaluation reserve	20	35,747	34,657
		43,396	37,892

Robert Etchingham
Directors

Joseph Barrett

Company Balance Sheet

At June 30, 2008

	Note	2008 €'000	2007 Restated €'000
Fixed assets			
Intangible assets	10	538	272
Tangible assets	11	58,010	54,234
Financial assets	12	1,861	1,861
		60,409	56,367
Current assets			
Stock	13	2,957	2,392
Debtors – amounts falling due within one year	14	21,772	8,751
Debtors – amounts falling due after more than one year	14	882	200
Cash at bank and in hand		883	6,509
		26,494	17,852
Creditors – amounts falling due within one year	15	(24,733)	(22,809)
Net current assets/liabilities		1,761	(4,957)
Total assets less current liabilities		62,170	51,410
Creditors – amounts falling due after more than one year	15	(26,206)	(18,875)
Net assets		35,964	32,535
Financed by			
Capital and reserves			
Called up share capital	19	763	763
Profit and loss account	20	3,900	1,153
Revaluation reserve	20	31,301	30,619
		35,964	32,535

Robert Etchingam
Directors

Joseph Barrett

Consolidated Cash Flow Statement

For the Year Ended June 30, 2008

	Note	2008 €'000	2007 €'000
Net cash inflow from operating activities	22	9,592	13,781
Servicing of finance			
Bank loan interest payments		(3,141)	(1,483)
Interest element of finance lease payments		(61)	(55)
Cash outflows to servicing of finance		(3,202)	(1,538)
Taxation		(850)	(270)
Capital expenditure and disposals			
Proceeds from sale of tangible fixed assets		282	395
Payments to acquire intangible fixed assets		(590)	(219)
Payments to acquire tangible fixed assets		(35,299)	(14,988)
Payments to acquire financial assets		–	(500)
		(35,607)	(15,312)
Acquisitions			
Acquisition of subsidiary (net of cash received)	27	(4,237)	(3,090)
Financing			
Increase/Decrease in debt		31,113	12,855
Capital element of finance leases repaid		(405)	(310)
		30,708	12,545
Decrease/Increase in cash		(3,596)	6,116
Reconciliation of net cashflow to movement in net debt			
Increase/Decrease in cash in the year		(3,596)	6,116
Cashflow from change in borrowings		(30,662)	(13,672)
		(34,258)	(7,556)
Loans acquired with subsidiaries		(1,190)	–
Finance leases		(345)	(374)
Debt transferred on reorganisation of subsidiary		–	1,499
Movement in net debt in the year		(35,793)	(6,431)
Net debt at beginning of year		(26,911)	(20,480)
Net debt at end of year	21	(62,704)	(26,911)

Robert Etchingham
Directors

Joseph Barrett

Notes to the Financial Statements

For the Year Ended June 30, 2008

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the periods being reported, is set out below:-

Basis of preparation

The financial statements have been prepared in accordance with Accounting Standards generally accepted in Ireland and Irish statute law comprising the Companies Acts, 1963 to 2006, and the European Communities (Companies: Group Accounts) Regulations, 1992. Accounting Standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Basis of accounting

The financial statements have been prepared in Euro (€) rounded to the nearest thousand under the historical cost convention as modified by the revaluation of freehold and leasehold properties.

Basis of consolidation

The Group financial statements consolidates the financial statements of the holding company and all of its subsidiary undertakings up to June 30, 2008. The results for subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. In accordance with Section 3(2) of the Companies (Amendment Act), 1986 the Profit and Loss account for the holding company has not been presented separately in these financial statements.

Turnover

Turnover comprises the value of goods and services supplied to external customers and excludes inter-company sales and value added tax.

Freehold and leasehold properties

All tangible fixed assets are initially recorded at historic cost.

The Group's portfolio of freehold and leasehold service station properties are revalued on a rolling basis designed to cover all the properties over a five year period. The properties are valued on an existing use basis inclusive of goodwill which is considered to be inherent in the property site. The revaluation surplus/(deficit) is taken to/(from) the revaluation reserve.

Freehold and leasehold buildings are depreciated at the following rates:-

Freehold buildings	2%
Leasehold buildings	Over the term of the lease

Freehold and leasehold land is not depreciated.

The depreciation of buildings represents a change in accounting policy as previously buildings were not depreciated. The comparative figures have been re-stated to reflect this change in accounting policy.

Notes to the Financial Statements *continued*

1 Accounting policies *continued*

Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:-

Plant and equipment	5%
Fixtures and fittings	10%
Computer hardware and software	20%
Motor vehicles	20%

All other tangible fixed assets are eliminated from the balance sheet when fully depreciated.

The depreciation rates were reviewed during the year as a consequence of a revision of the estimated useful lives of assets categorised above.

Intangible assets

Intangible assets include payments made to secure a master franchise agreement in respect of a subsidiary undertaking. This cost is amortised over the life of the agreement.

Goodwill

Goodwill is the difference between the value of the consideration given on the acquisition of a business and the aggregate market value of the separate net assets acquired.

Goodwill is being amortised through the profit and loss account in equal instalments over its estimated economic life of 10 years.

Goodwill is reviewed for impairment at the end of the first full financial year following acquisition, and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases that substantially transfer all the risks and rewards of ownership to the Group are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Investments

Investments in subsidiary undertakings are stated in the Company balance sheet at cost less provision for diminution in value.

Stock

Stock is valued at the lower of cost and net realisable value.

Pensions

The Company operates defined contribution pension schemes in respect of its Directors and Employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension charge in the profit and loss account represents contributions paid by the Company to the schemes.

Notes to the Financial Statements *continued*

1 Accounting policies *continued*

Taxation

Corporation tax in respect of the Group is provided at current rates and is calculated on the basis of the results for the year.

Deferred taxation is calculated on the differences between the taxable profits and the results as stated in the financial statements. These differences are referred to as timing differences which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. The revaluation of properties is not considered to constitute a timing difference where there is no intention of disposing of the revalued properties in the foreseeable future.

No provision is made for deferred taxation as the Directors are of the opinion that the taxation effect of the reversal of timing differences is immaterial.

Provision for a corporation tax surcharge assessable on undistributed investment income (in accordance with Section 440, Taxes Consolidation Act 1997) is provided after the time limit of 18 months within which a dividend can be paid to avoid such surcharge has elapsed.

Foreign currencies

Foreign currency transactions have been translated to Euro (€) at the rate of exchange ruling on the date of transaction. Assets and liabilities denominated in foreign currencies are translated to Euro at the rate of exchange ruling on the balance sheet date. Differences arising from changes in exchange rates are dealt with in the profit and loss account.

2 Turnover

	2008 €'000	2007 €'000
Group operated sales are analysed as follows:-		
Retail	239,231	156,997
Distribution	107	31
	<hr/>	<hr/>
	239,338	157,028

Turnover arises from continuing operations and is derived from activities in the following geographical locations:

	2008 €'000	2007 €'000
Republic of Ireland	236,866	157,028
United Kingdom	2,472	–
	<hr/>	<hr/>
	239,338	157,028

Notes to the Financial Statements *continued*

3 Staff costs and employees

	2008 €'000	2007 €'000
Directors' emoluments	591	401
Directors' pensions	631	44
Directors' life assurance	7	8
Wages and salaries	6,560	5,572
Social welfare costs	523	505
Staff pensions	19	1
	8,331	6,531

The average number of persons (excluding Directors) employed by the Group during the year was as follows:-

	No.	No.
Retail	509	426
Administration	61	29
	570	455

4 Other operating income

	2008 €'000	2007 €'000
Income from licensed and franchised sites	5,955	3,785
Compensation for loss of future profits	-	1,000
Rental income	44	67
Management fees	-	250
Loan interest	160	-
Other miscellaneous operating income	32	3
	6,191	5,105

Notes to the Financial Statements *continued*

5 Exceptional items

	2008 €'000	2007 €'000
Loss on disposal of fixed assets	84	753
Costs of unsuccessful tender	–	408
Impairment on revaluation of fixed asset	120	–
	204	1,161

The tax effect of these exceptional items is a credit of €25,000 (2007 – €125,007).

6 Interest payable and similar charges

	2008 €'000	2007 €'000
This charge is in respect of:		
Bank loans and overdrafts	3,024	1,611
Lease finance charges and hire purchase interest	61	55
	3,085	1,666

7 Profit before taxation

	2008 €'000	2007 Restated €'000
The profit before taxation is stated after charging:-		
Directors' remuneration	1,229	401
Auditors' remuneration		
– Audit	80	40
– Non-audit	15	8
Depreciation/Amortisation	1,681	1,474

8 Taxation

	2008 €'000	2007 Restated €'000
Based on the profits for the year	636	484
Surcharge on undistributed investment income	2	–
Adjustment in respect of previous years	4	9
	642	493

Notes to the Financial Statements *continued*8 *Taxation continued***Factors affecting tax charge**

The tax assessed for the year differs from the standard rate of corporation tax of 12.5%.
The differences are explained below:-

	2008 €'000	2007 Restated €'000
Profit on ordinary activities before tax	5,361	2,965
Effect of:		
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax at 12.5%	670	371
Capital allowances in excess of depreciation	(28)	33
Non tax deductible expenses & provisions	14	108
Income taxable at 25%	23	5
Net capital (repayments)/rebates on leasing contracts	(43)	(31)
Group losses utilised	-	(2)
	636	484

9 *Dividend on ordinary shares*

	2008 €'000	2007 €'000
A dividend of 0.121c per share was paid in October 2007	73	-

10 *Intangible assets*

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
COST				
At beginning of year	496	277	327	153
Additions	452	174	332	174
Goodwill on acquisition (Note 27)	138	45	-	-
At end of year	1,086	496	659	327
AMORTISATION				
At beginning of year	118	72	55	22
Charge for year	105	46	66	33
At end of year	223	118	121	55
NET BOOK VALUE				
At end of year	863	378	538	272

Notes to the Financial Statements *continued*

11 Tangible fixed assets

GROUP

	Land €'000	Buildings €'000	Plant & Equipment €'000	Fixtures & Fittings €'000	Computer Hardware & Software €'000	Motor Vehicles €'000	Total €'000
COST/VALUATION							
At beginning of year before restatement							
- At cost	-	13,291	1,286	11,075	469	31	26,152
- At valuation	52,795	-	-	-	-	-	52,795
Prior year adjustment	-	(200)	-	(58)	-	-	(258)
At beginning of year after restatement	52,795	13,091	1,286	11,017	469	31	78,689
Additions	22,606	7,205	357	4,657	816	3	35,644
Acquisitions	4,552	1,263	34	14	-	-	5,863
Disposals/Fully depreciated	-	-	(175)	(404)	-	-	(579)
Revaluation (net of impairment)	971	-	-	-	-	-	971
At end of year	80,924	21,559	1,502	15,284	1,285	34	120,588
DEPRECIATION							
At beginning of year							
- Before restatement	-	-	867	2,243	13	1	3,124
Prior year adjustment	-	493	(19)	(4)	51	2	523
- After restatement	-	493	848	2,239	64	3	3,647
Charge for year	-	388	(391)	1,372	199	7	1,575
Disposals/Fully depreciated	-	-	(175)	(38)	-	-	(213)
At end of year	-	881	282	3,573	263	10	5,009
NET BOOK VALUE							
At June 30, 2008	80,924	20,678	1,220	11,711	1,022	24	115,579
At June 30, 2007 – Restated	52,795	12,598	438	8,778	405	28	75,042

Notes to the Financial Statements *continued*11 Tangible fixed assets *continued*

HOLDING COMPANY

	Land €'000	Buildings €'000	Plant & Equipment €'000	Fixtures & Fittings €'000	Computer Hardware & Software €'000	Motor Vehicles €'000	Total €'000
COST							
At beginning of year before restatement							
- At cost	–	9,662	1,110	9,529	469	31	20,801
- At valuation	36,525	–	–	–	–	–	36,525
Prior year adjustment	–	(200)	–	(58)	–	–	(258)
At beginning of year after restatement	36,525	9,462	1,110	9,471	469	31	57,068
Additions	411	341	135	2,967	697	3	4,554
Disposals/Fully depreciated	–	–	–	(400)	–	–	(400)
Revaluation	682	–	–	–	–	–	682
At end of year	37,618	9,803	1,245	12,038	1,166	34	61,904
DEPRECIATION							
At beginning of year							
- Before restatement	–	–	691	1,725	13	1	2,430
Prior year adjustment	–	381	(18)	(12)	51	2	404
- After restatement	–	381	673	1,713	64	3	2,834
Charge for year	–	223	(397)	1,084	181	7	1,098
Disposals/Fully depreciated	–	–	–	(38)	–	–	(38)
At end of year	–	604	276	2,759	245	10	3,894
NET BOOK VALUE							
At June 30, 2008	37,618	9,199	969	9,279	921	24	58,010
At June 30, 2007 – Restated	36,525	9,081	437	7,758	405	28	54,234

Notes to the Financial Statements *continued*

11 Tangible fixed assets *continued*

Included in the above are assets held under finance leases or hire purchase contracts as follows:-

GROUP

	2008		2007	
	NBV €'000	Depreciation €'000	NBV €'000	Depreciation €'000
Plant and equipment	285	34	319	34
Fixtures and fittings	1,098	145	895	102
	1,383	179	1,214	136

HOLDING COMPANY

	2008		2007	
	NBV €'000	Depreciation €'000	NBV €'000	Depreciation €'000
Plant and equipment	285	34	319	34
Fixtures and fittings	1,064	140	859	97
	1,349	174	1,178	131

Independent valuations are conducted on the Group's freehold and leasehold service station properties on a rotational basis over a five year period with interim valuations at three yearly intervals. The service station properties have broadly similar characteristics, such that values are likely to be affected by similar market forces and accordingly valuation on a rotational basis is considered appropriate. In keeping with this practice, all the properties were valued by CBRE on April 27, 2006 and certain properties have been revalued during 2007 and 2008.

The properties are valued on an existing use basis which, because of the nature of the properties, includes goodwill inherent in each service station site.

The historical cost of land is €45 million (holding company €6 million).

As no depreciation is charged on land, the depreciation charge based on historical cost does not differ to that in the financial statements.

Details of the prior year adjustments are shown at Note 20.

Notes to the Financial Statements *continued*

12 Financial assets

COST

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Investments in subsidiary undertakings				
At beginning of year			1,361	1,362
Disposal of subsidiary			–	(1)
At end of year			1,361	1,361
Unquoted investments				
At beginning of year	500	–	500	–
Additions	–	500	–	500
Total financial assets at year end	500	500	1,861	1,861

In the opinion of the Directors, the market value of the investments is not less than the book value.

13 Stock

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Goods for resale	4,687	3,144	2,957	2,392

There are no material differences between the replacement cost of stock and the balance sheet amount.

14 Debtors

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
FALLING DUE WITHIN ONE YEAR				
Trade debtors	3,968	1,580	4,233	1,337
Other debtors and prepayments	2,013	2,819	1,607	2,180
Value added tax	949	–	688	–
Loans to Directors	–	575	–	575
Amounts owed by subsidiaries	–	–	13,316	2,039
Amounts owed by licensees	124	635	366	627
Amounts owed by related companies (Note 23)	1,562	1,993	1,562	1,993
	8,616	7,602	21,772	8,751

Notes to the Financial Statements *continued*

14 Debtors *continued*

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
FALLING DUE AFTER MORE THAN ONE YEAR				
Other debtors (Note 25(a))	882	200	882	200

Certain of the amounts owing by related companies are subject to a charge in favour of third party mezzanine finance providers as part of a sinking fund agreement as set out in Note 25(a).

15 Creditors

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
FALLING DUE WITHIN ONE YEAR				
Loans and other borrowings				
Bank loans and overdrafts	1,214	1,818	809	1,672
Obligations under finance leases	369	390	348	377
	1,583	2,208	1,157	2,049

Other creditors

Trade creditors and accruals	22,184	19,685	20,667	18,663
Other creditors and accruals	2,175	354	2,161	354
Amounts due to licensees	–	670	240	648
Loans from Directors	264	–	264	–
	24,623	20,709	23,332	19,665

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Creditors also include the following in respect of taxation:-				
Corporation tax	247	455	78	430
Value added tax	–	556	–	312
Other taxation and social welfare	157	343	166	353
	404	1,354	244	1,095
Total creditors falling due within one year	26,610	24,271	24,733	22,809

Trade creditors includes an amount of approximately €22 million in respect of goods subject to reservation of title clauses, where ownership of the goods does not pass until payment is made.

Notes to the Financial Statements *continued*

16 Creditors

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
FALLING DUE AFTER MORE THAN ONE YEAR				
Bank loans	62,370	30,892	25,474	18,128
Obligations under finance leases	732	771	732	747
	63,102	31,663	26,206	18,875

17 Bank loans and security

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Repayable within one year	1,214	1,818	809	1,672
Repayable after more than one year	62,370	30,892	25,474	18,128
	63,584	32,710	26,283	19,800

SECURITY

At June 30, 2008, the following securities are held by the banks in respect of facilities granted to the Group:-

Anglo Irish Bank Corporation plc

- A first legal charge over certain of the Group's freehold and leasehold properties.
- The guarantee from subsidiary undertakings supported by first legal charges over freehold and leasehold property interests held by these undertakings.
- The joint and several guarantees and indemnities of two Directors supported by joint life cover of €1.26 million.

ACC Bank plc

- A first legal charge over certain of the Group's freehold and leasehold properties.
- A guarantee and indemnity of one of the Groups subsidiary undertakings supported by a first legal charge as outlined above.

Bank of Scotland (Ireland) Limited

- A fixed charge over certain of the Group's freehold properties.
- A floating charge over certain of the Company's other assets.

Notes to the Financial Statements *continued*

18 Leasing obligations

	Group		Holding Company	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Repayable within one year	369	390	348	377
Repayable after more than one year	732	771	732	747
	1,101	1,161	1,080	1,124

19 Share capital

	2008 €'000	2007 €'000
Authorised:		
100,000,000 Ordinary shares of €0.01269738 each	1,270	1,270
Allotted, called up and fully paid:		
60,060,000 Ordinary shares of €0.01269738 each	763	1
Bonus issue	–	762
	763	763

Share options

Options over 3,500,000 shares have been granted to a number of employees which are exercisable within a 10 year period from January 29, 2007. No share options have been exercised by June 30, 2008.

20 Realised and unrealised reserves

Group	Profit & Loss A/c. €'000	Unrealised Revaluation Reserve €'000
At beginning of year before restatement	3,253	34,657
Prior year adjustment	(781)	–
Unrealised surplus on revaluation of service station properties	–	1,090
Group profit retained for the year	4,646	–
Currency loss on conversion of foreign subsidiaries	(232)	–
At end of year	6,886	35,747

Notes to the Financial Statements *continued*20 Realised and unrealised reserves *continued*

	Profit & Loss A/c. €'000	Unrealised Revaluation Reserve €'000
Holding Company		
At beginning of year	1,815	30,619
Prior year adjustment	(662)	–
Unrealised surplus on revaluation of service station properties	–	682
Retained profit for year	2,747	–
At end of year	3,900	31,301

The prior year adjustment comprises:-

- (i) A change in the Group's accounting policy in relation to the depreciation of freehold buildings so as to accord with the provisions of FRS 15 Tangible Fixed Assets. This has given rise to a prior year adjustment and the comparative figures for 2007 have been restated accordingly.
- (ii) An underprovision of depreciation as a result of reclassification of certain assets.

21 Analysis of net debt

	At 1.7.2007 €'000	Cashflow €'000	Other €'000	At 30.6.2008 €'000
Cash balances	6,960	(5,008)	29	1,981
Overdraft	(193)	1,412	(1,219)	–
	6,767	(3,596)	(1,190)	1,981
Debt due within one year	(2,015)	501	(69)	(1,583)
Debt due after one year	(31,663)	(31,163)	(276)	(63,102)
Total term finance	(33,678)	(30,662)	(345)	(64,685)
Net debt	(26,911)	(34,258)	(1,535)	(62,704)

Notes to the Financial Statements *continued*

22 Reconciliation of Group operating profit to net cash inflow from operating activities

	2008	2007
	€'000	Restated €'000
Group operating profit for the year	8,650	5,792
Depreciation/Amortisation charge	1,681	1,474
Net cash movement on acquisitions	(574)	(22)
Net cash movement on disposal of subsidiary	–	82
Exceptional item	–	(408)
Increase in stocks	(1,543)	1,868
Increase in debtors	(1,794)	(3,356)
Increase in creditors	3,172	8,351
Net cash inflow from Group operating activities	9,592	13,781

23 Related party transactions

The Group leases certain properties from both shareholders at a cost of €145,000 during 2008.

The Group has availed of the exemption under FRS 8, Related Party Transactions, from the requirement to disclose transactions with subsidiaries in which the Company holds a 90% or greater shareholding and whose results are included in these financial statements.

The Company entered into long-term leases with Yerba Limited, a company, which while not presently under the control of the Group, is regarded as a related entity on the basis that the Group holds an option to acquire the share capital of Yerba Limited under certain circumstances at a future date.

The Group has entered into related party transactions with other companies outside of the Group which are under the control of the Directors. These are conducted at normal commercial terms. The amount owing to related companies at the balance sheet date is disclosed in Note 14.

Share options have been granted to an employee of the Company, who is a relative of one of the Directors, under terms identical to options granted to other employees.

24 Post balance sheet events

Since the year end the Group agreed to acquire service station properties in the Republic of Ireland for approximately €3.6 million and to acquire service station properties in the UK for Stg£1.745 million.

Notes to the Financial Statements *continued*

25 Commitments and contingencies

a) Capital commitments

The holding company has entered into a sinking fund agreement under which it has committed to contribute to a sinking fund established by a related company, Yerba Limited, to repay loans. The commitment includes contributions totalling €3,692,000 over 6 years, the second contribution of €681,778 was made during the year.

The holding company is also party to an option agreement whereby it can acquire the entire issued share capital of Yerba Limited for nominal consideration.

At June 30, 2008 Yerba Limited had accumulated losses of €539,796. No provision for this contingent loss has been included in these financial statements as the open market value of the properties retained within Yerba Limited will more than compensate for the accumulated loss and consequently the net asset value on acquisition will be positive.

The holding company has also entered into an option agreement whereby it may in certain circumstances be called upon to acquire a loan note in respect of €3,692,000 of mezzanine finance advanced to Yerba Limited at a premium to the loan note nominal value. The total potential commitment under this option agreement is between €6,165,640 and €7,531,680 depending on if and when the option is exercised.

The Group had contracted to acquire service station properties valued at €1.9 million at the balance sheet date.

b) Leasing commitments

The Group has annual rental commitments of €2.4 million in respect of leasehold premises, all of which expire after more than five years.

c) Pension commitments

The holding company operates defined contribution pension schemes for its Directors and Employees. The assets of the schemes are held separately from those of the holding company and its subsidiaries in independently administered funds. The pension charge represents the annual obligation of the Company to make contributions to the schemes and amounted to €650,432 (2007 – €45,109).

26 Subsidiaries and other substantial undertakings

The holding company and its subsidiary companies, which (except where indicated) are incorporated in Ireland and have their registered office at Block 17, Joyce Way, Parkwest, Dublin 12, the principal activities and the changes, where applicable, during the financial year in the classes of business in which the Company has an interest, as required by Section 158 (1) and (3) respectively of the Companies Act, 1963, are set out below.

Holding company	Holding	Activity
Petrogas Group Limited		Service station operator on its own account and under licensing arrangements

Notes to the Financial Statements *continued*

26 Subsidiaries and other substantial undertakings *continued*

Subsidiary companies	Holding	Activity
Petrogas Retail Limited	100%	Service station operator under licensing arrangements
Petrogas International Limited	100%	Not trading
Desdale Limited	100%	Service station operator on its own account and under licensing arrangements
Wimpy Restaurants Ireland Limited	100%	Restaurant operator under licensing arrangements
Yerba 2 Limited	100%	Service station operator on its own account and under licensing arrangements
Petrogas Group UK Limited	100%	Service station operator
Petrogas Group NI Limited	100%	Non trading (Incorporated on April 23, 2008)
Black Quarry Service Station Limited	100%	Service station operator under licensing arrangements
Reflare Limited	100%	Service station operator
Trukar Limited	100%	Service station operator
Taciturn Trading Limited	100%	Service station operator
Linkside Estates Limited	100%	Service station operator under development

The registered office of Petrogas Group UK Limited and Linkside Estates Limited is 20 Strand Road, London WC2R 1DJ, United Kingdom. The registered office of Petrogas Group NI Limited is 1 Lanyon Quay, Belfast BT1 3LG, Northern Ireland.

Notes to the Financial Statements *continued*

27 Acquisitions and disposals

Acquisition of subsidiaries

During the year the Group acquired the entire share capital of Taciturn Trading Limited, Reflare Limited, Trukar Limited, all registered in Ireland and Linkside Estates Limited registered in England and Wales, for a consideration of €4.2 million. Goodwill arising on the acquisitions has been capitalised. The investment in these subsidiaries has been included in the acquiring subsidiaries' balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition of subsidiaries undertakings:-

	Book Value €'000	Revaluation €'000	Fair Values €'000
Net assets of the date of acquisition			
Fixed assets	4,086	1,777	5,863
Debtors	403	–	403
Cash	(1,190)	–	(1,190)
Creditors	(977)	–	(977)
Net assets acquired at fair value	2,322	1,777	4,099
Goodwill arising on acquisition			138
			4,237
Satisfied by:			
Cash payment			3,047
Bank debt assumed on acquisition			1,190
			4,237

Adjustments on acquisition arose from:-

- a) The valuation of freehold land and buildings from cost price to market value.

28 Approval of financial statements

The Board of Directors approved the financial statements on December 23, 2008.

Annexed to the Annual Return



We, Robert Etchingham and Joseph Barrett, Director and Secretary respectively of Petrogas Group Limited, hereby certify that this report of the Directors and financial statements for the year ended June 30, 2008, is a true copy of that laid before the members at the annual general meeting of the Company.

Robert Etchingham

Joseph Barrett



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