Growing Energy Solutions

D1 Oils plc

D1 Oils plc Annual report and accounts 2005

D1 Oils plc is a UK-based global producer of biodiesel. We are building a global supply chain and network that is sustainable and delivers value from earth-to-engine.
Our operations cover agronomy, refining and trading. We are pioneering the science, planting and production of inedible vegetable oils; we design, build, own, operate and market biodiesel refineries; and we source, transport and trade seeds and seedlings, seedcake, crude vegetable oils and biodiesel.
Our vision is to be the world's leading biodiesel business.

Agronomy

Refining

Trading

Operational highlights

- Solid performance on key targets for agronomy and refining businesses:
  - Rights obtained to 37,000 hectares planted to 18 March 2006
  - Forecast of 42,000 hectares by 31 March 2006
  - First D1 20 refinery deployed in Middlesbrough on time and within budget
  - On track to deliver 9 D1 20 refinery units by December 2006
- Net cash at 31 December 2005 of £23.4m
- Organisational clarity enhanced: agronomy, refining, trading
- Our combination of activities gives us particular strength within a fragmented industry
- Positive market environment for biodiesel driven by high energy prices and government support
- Well positioned to capitalise on growth opportunities in biodiesel market

Report of the Chairman and the Chief Executive Officer

Karl Watkin

Elliott Mannis

During 2005, the first full year of D1's operation as a public company, we made good progress in establishing the foundations on which to build our global biodiesel business. We achieved our key planting and refining targets and learnt much about where and how to prioritise our activities. Subsequent to the year end, our management, led by a new Chief Executive Officer, reaffirmed our intention to be a global leader in biodiesel. We now strive to take advantage of the growing international push for renewable fuels. Our strategy is firmly set on delivering value from earth-to-engine through our three core activities of agronomy, refining and trading.

In agronomy, we are pioneering the science, planting and production of inedible vegetable oils. Our refining business designs, builds, operates and markets our refinery technology. We are exploring options to put in place a trading business that will source, transport and trade the commodities necessary to support our agronomy and refining operations. Our activities in each of these business areas have clear investment and return hurdles, which require business units to address both short term profitability and longer term strategic positioning and returns.

The fundamental strength of the three business units will enable us to deliver value at each stage from earth-to-engine. We will report and review our business results according to this structure hence forth. We begin 2006 with our direction reaffirmed, and our worldwide operations on a solid footing to build a profitable and sustainable business over the long term.

Operations

We achieved our key overall goals in agronomy and refining. As of 18 March 2006, we have planted or obtained the rights to offtake from a total of 37,000 hectares of jatropha planting worldwide, and are forecasting to have 42,000 hectares by 31 March. Our D1 20 refinery successfully completed its initial trials to produce biodiesel from rapeseed oil in April 2005, and by December had successfully completed refining tests for soy and palm. On 21 March we announced that we had successfully processed jatropha oil to EN14214 standard.
We began construction of our first four commercial D1 20 refineries at the end of 2005. During February 2006 the first unit was deployed to our site in Middlesbrough, and is currently being

"We have made excellent progress in developing D1's agronomy and refining strengths against the backdrop of growing worldwide awareness of the potential of renewable fuels to meet future energy needs. D1's strategy has been built on an earth-to-engine approach: our agronomy experience and refining expertise, the latter now proven across a range of crops, have both strengthened significantly in the year. We are augmenting this with a third key business driver – the trading of seeds and seedlings, seedcake, crude vegetable oils and biodiesel. Our efforts are now focused on building upon this solid foundation to develop the global business footprint and achieve profitability in 2007."

Karl Watkin, Chairman

commissioned and tested. Our UK refinery deployments are on time and on budget.

Our business overseas is presently focused on three regional markets: India, Southern Africa and South East Asia. In India our principal relationships are in capital efficient joint ventures with local commercial partners. In Southern Africa we have three target markets, being South Africa, Zambia and Swaziland, and our work is supported by national government and tribal councils. The business in South East Asia is at an early stage and we are developing relationships with substantial partners in a number of key markets.

Finances

During the year we raised additional funding of £24.4m net of expenses. Net cash at 31 December was £23.4m. The loss for the year was £7.5m and reflects continuing investment for future growth.

Management

There were a number of management changes during the year, including the appointment of Elliott Mannis as Chief Financial Officer and Stephen Douty as Regional Director in July 2005 and the resignation of Mark Quinn as a Director in September 2005. Subsequent to the year end we announced the resignation of Philip Wood and the appointment of Elliott Mannis as Chief Executive Officer. On 28 March 2006 we announced that Alec Worrall, a founder Director of the Company, is leaving the Board to pursue other business interests. We thank Mark, Philip and Alec for their efforts and support in laying the foundations for D1.

Outlook

During 2005 energy prices and government initiatives worldwide moved the biofuels market further in our favour. We are well positioned to seize the opportunities for market growth that exist globally, and we are focused on our strategy to develop agronomy, refining and trading operations. Our combination of these three activities within one global business gives us unique strength in an industry that continues to be fragmented between agricultural businesses, process contractors, refiners and commodity traders. We have made a solid start to 2006. The Board is confident about the prospects for the coming year. A key objective for the management team is to deliver a profit in 2007. On behalf of the Board we would like to take this opportunity to thank our executive management, our business teams, our partners and advisors for their hard work and support over the year.

Karl Watkin
Chairman

Elliott Mannis
Chief Executive Officer

Agronomy

During 2005 we initiated a major agronomy programme. This was focused on our Product Development Centre in Coimbatore, India, and our work with leading international plant breeders and tissue culture specialists in Holland. The objective of this programme is to identify and produce our own high yielding proprietary varieties of jatropha. Yields from planting wild seed are expected to be modest. However, we are making good progress in our agronomy programme to breed high yielding commercial varieties.
Up to 18 March 2006 we have planted or obtained the rights to offtake from a total of 37,000 hectares of jatropha worldwide, and are forecasting to have 42,000 hectares by 31 March. The position at 18 March is summarised in the table below:

	Managed plantations	Contract farming	Seed purchase and oil supply agreements	Total
India	—	10,000	15,000	25,000
Africa	4,000	—	—	4,000
South East Asia	—	6,000	2,000	8,000
Total (hectares)	4,000	16,000	17,000	37,000

Managed plantations are those farms where the land and labour is directly controlled by D1. In contract farming individual farmers purchase seed and seedlings from and enter into offtake agreements with D1. Trees are planted on the farmers' own land. Typically planting is supported by bank finance without recourse to D1 but facilitated by D1's offtake arrangements. Seed purchase and oil supply agreements represent offtake contracts over existing jatropha planting.

The business anticipates further planting under existing arrangements each year. In some instances pre-existing planting agreements have not been progressed. However, we continue to enter into new agreements for further planting that will deliver greater value. We have recently concluded agronomy agreements including Williamson Magor in India, the Kachumu Tribal Council in Zambia and Petrotek in Indonesia. We are also exploring new markets including China, where we have recently signed a Memorandum of Understanding (MOU) for a model farm.

Up to 18 March 2006 we have planted or obtained the rights to offtake from a total of 37,000 hectares of jatropha worldwide, and are forecasting to have 42,000 hectares by 31 March.

Refining

Central to our refining strategy is our modular biodiesel refinery, the D1 20. The D1 20 is a stand-alone skid-mounted unit, capable of producing 8,000 tonnes of biodiesel per year from a range of vegetable oil feedstocks using a continuous process. The D1 20's technology and processes are proprietary and are the result of several years' research and development in the UK.

During 2005 we commenced manufacturing of the first four D1 20 production units. We delivered the first of these for commissioning to our new refinery centre in Middlesbrough in February 2006 on time and within budget. We expect to deliver a further three units to Middlesbrough by the end of June 2006. These units are now substantially complete. We are confident that we will produce a further five units to meet our target of nine by December 2006.

The D1 20 biodiesel refinery has a capacity of 8,000 tonnes per annum, and the deployment of the first cluster of four units will give our Middlesbrough site a total annual production capacity of 32,000 tonnes. We purchased the site in Middlesbrough in late 2005. The nine acre site is 800m from wharfs on the Tees and is located close to existing rail sidings. The site has significant potential for expanding refinery operations and clustering enables significant cost efficiencies. It will be a showcase for our refinery technology, housing research and development, final assembly and testing facilities for refinery units for export, and training facilities for refinery crews from D1's international operations and overseas partners and customers. The D1 20 refinery previously situated in the North West of England will also be located at the site.

The D1 20 biodiesel refinery has a capacity of 8,000 tonnes per annum, and the deployment of the first cluster of four units will give our Middlesbrough site a total annual production capacity of 32,000 tonnes.

Having successfully completed 24x7 trials of our D1 20 test refinery in April 2005 to produce biodiesel meeting the European Union's EN14214 standard from rapeseed oil, we announced our intention in May to accelerate our refinery development programme to enable the refinery to process a broader range of crude vegetable oils. By the end of the year we successfully completed refining tests for soy and palm, and on 21 March we announced the successful processing of jatropha to EN14214 standard biodiesel. These trials have demonstrated that our proprietary refining and pre-processing technology is capable of dealing with a range of potential food and non-food grade feedstocks.

Having conducted detailed refinery modeling, we believe that our D1 20s are best deployed in clusters, thereby offering considerable economies of scale over single unit operation. We have also embarked on a programme to deliver production efficiencies by combining four or five D1 20s in order to deliver higher production volumes. We believe that multiple deployment of the combined units offers greater potential than the development of a D1 200.

Going forward we will both own and operate our refineries in our own right, and we will seek to project finance any such assets. We will also seek to market, licence and sell our refinery technology to others.

Trading

A world-class trading capability will be an important factor in our future growth. Building capabilities in the transport and trade of seeds, seedlings, and seedcake will underpin our expanding agronomy business. Similarly our refinery business will not reach its full potential unless we have the mechanisms and skills in place to obtain crude vegetable oil at the most competitive prices and to secure offtake agreements for the sale of biodiesel on the most advantageous terms. We are exploring a number of options to put a trading capability in place.

During 2005 we began to build our experience in logistics and quality control through a pilot toll processing programme with Dow Haltermann in Belgium, whereby EN 14214 biodiesel was produced from rapeseed and sold to German customers. The principal objective for the trading business in 2006 is to create the global supply chain for nurseries, crude vegetable oil feedstocks and biodiesel.

One additional area of focus for the trading business is that of carbon credits. We are working with leading technical advisors to ensure that when D1 refineries operate in developing countries these credits are secured. D1 should qualify for credits by enabling fuel switching from fossil fuel to biodiesel. In addition our jatropha agroforestry and planting programmes have the potential to produce carbon credits through the CO_2 absorbed by the jatropha trees.

Financial review

Key financials	2005	2004
Turnover	£0.4m	nil previously
Administrative expenses	£8.1m	£3.0m
Loss before tax	£7.5m	£3.1m
Loss per share	28.3p	47.5p
Net cash at 31 December	£23.4m	£9.6m

The significant progress and development in the business is reflected in the financial results for the year ended 31 December 2005.

The financial results have been prepared on a basis consistent with previous periods according to United Kingdom Generally Accepted Accounting Practices (UK GAAP). The Group has adopted a new accounting policy related to its managed plantations. The direct costs of site preparation and planting are being capitalised into tangible fixed assets and then amortised over the useful life of the trees, which is estimated at 30 years.

Total Group turnover of £0.4m (2004: £nil) in the year to 31 December 2005 arose from the sale of biodiesel produced by the toll processing trial with Dow Haltermann and by the D1 20 refinery during trials. Sales of biodiesel generated a gross loss of £0.1m reflecting the high costs of trading in very small quantities.

Administrative expenses of £8.1m (2004: £3.0m) reflect the growth in the operational team and efforts expended on business development. The cost of feedstock and chemicals purchased for refinery testing, from which the biodiesel produced was not subsequently sold, has been reflected as a development cost within operating expenses. Interest earned of £0.7m relates to the monies on deposit and arising from the share placing completed in June.

The loss on ordinary activities before and after taxation was £7.5m (2004: £3.1m) and the loss per ordinary share was 28.3p (2004: 47.5p). As losses were incurred, no corporation tax was payable.

Net cash (defined as gross cash less mortgage) on hand at 31 December was £23.4m (2004: £9.6m). Gross cash was £24.2m and there was a mortgage loan payable of £0.8m. The net inflow in the year to 31 December was £14.7m (2004: £9.6m). The most significant element in the cash flow was the proceeds from the share placing which was completed in June. £25.8m was raised before expenses of £1.4m.

In addition to operating expenses, significant investment is being devoted to the D1 20 refinery manufacturing programme. We are intending to project finance our refinery investments and a debt marketing process is in hand. Total funds invested into the construction of D1 20's as at 31 December 2005 amounted to £1.4m.

Richard Gudgeon
Acting Finance Director

Directors, senior management and advisors

Directors:

Karl Watkin MBE
Non-Executive Chairman

Karl Watkin, an entrepreneur, is the founder of D1 Oils plc. He developed the alternative feedstock strategy and built the team behind it. Karl has 28 years of international business experience, particularly in Asia, and received an MBE for services to UK exports in 1993. He led the management buyout, turnaround and flotation of Crabtree, a major international supplier to the can making industry. In 1999 he created and floated the UK's first internet business-to-business exchange, J2C Plc. Karl is a Non-Executive Director of China Goldmines PLC, which he formed in 2005 and floated in February 2006, and of Dermasalve Sciences PLC which he created in 2004 and floated in January this year.

Elliott Mannis
Chief Executive Officer

Elliott Mannis is a chartered accountant with a Bachelor of Commerce degree from the University of British Columbia in Vancouver, Canada. Elliott was the Group Finance Director at AWG Plc, the parent company of Anglian Water, for six years prior to joining D1. He also held senior financial positions, including Group Financial Controller, at Aegis Group plc, where he worked from 1993 to 1998. Before joining Aegis, Elliott spent nearly nine years at Price Waterhouse, initially in Vancouver and subsequently in London. Elliott joined D1 in 2005 as Chief Financial Officer and Company Secretary and was appointed as Chief Executive Officer in January 2006.

Peter Campbell
Executive Director

Peter Campbell has spent his career in a variety of commercial roles in the oil, chemical and energy sectors. Before joining D1, Peter was Managing Director of Methanex Europe, the global leader in the production and sale of methanol. From 1989 to 2000, Peter held management positions within ICI Petrochemicals, including the commercial management of ICI's methanol business. In addition, Peter has been responsible for a wide range of commercial activities involving commodities and for trading of feedstocks used in ICI's petrochemical business. He previously held senior positions in the oil sector at Total, Phillips Petroleum and Marathon Oil.

Stephen Douty
Executive Director

Steve Douty joined D1 from Reuters where he was head of Reuters Consulting Operations, a global software consulting business. He has significant international business experience in financial management in both the UK and continental Europe. On joining D1 he played a key role in raising the additional funds necessary to enable the Company to grow its business. Steve is currently responsible for D1's agronomy strategy and for developing its business in India and South East Asia.

Dr Clive Morton OBE
Deputy Non-Executive Chairman and
Senior Independent Director

Dr. Clive Morton has a 20 year record of achievement in revitalising public and private organisations. He holds a PhD in Industrial Relations from the London School of Economics and is the founder of the Morton Partnership, specialists in organisational transformation. He is Managing Director of Board Performance Limited, Chairman of Peterborough Hospitals NHS Trust and a visiting professor at three UK universities. He is also Chairman of Dermasalve Sciences PLC. He is a past member of the DTI Partnership Panel. Clive was formerly Business Development Director at Anglian Water Plc and during his career has held the position of Personnel Director at Northern Electric Plc, Rolls-Royce Industrial Power Group, Anglian Water Services and Komatsu UK Ltd.

Barclay Forrest OBE
Non-Executive Director

Barclay Forrest is a British farmer. Barclay farmed successfully in Berwickshire, Scotland, for 30 years. He created and ran J B Forrest (Grain) Ltd, one of the UK's first drying, storage and haulage businesses for malting barley, wheat and oilseed rape. Barclay was a founding committee member of British Cereal Exports and played a major role in strengthening the reputation of British cereals in continental Europe and opening up new markets in China and North Africa. His experience in farming and other businesses have led to many appointments in public life, including Vice President of the Scottish National Farmers' Union (NFU) (1981), Chairman of British Cereal Exports (1995 – 2000) and Chairman of the Oxford Farming Conference (2004). He was awarded an OBE for services to exports in 2000. Barclay is currently Vice President of the China Britain Business Council (CBBC).

Alec Worrall
Non-Executive Director

Alec Worrall has been an accountant and industrial manager for over 30 years. Alec began his career at Ford's European headquarters before joining ICI in mergers and acquisitions. Alec joined Tallent Engineering in 1979 and grew the business until its acquisition by ThyssenKrupp UK plc. Alec joined the Board of ThyssenKrupp UK in 1994 and became Chairman in 2003. He is also a Non-Executive Director of China Goldmines PLC. Alec was formerly a Board Member of the Durham Learning and Skills Council and is a former Chairman of the North East Chamber of Commerce.

Peter Davidson
Non-Executive Director

Peter Davidson is a chartered chemical engineer, with wide experience in chemical plant technology, design, commissioning, operations, research and development. In ICI, he has been the Process Engineering Manager of the Engineering function, managed the research and development of a number of ICI businesses including Katalco, Tioxide and Quest Foods, and has served on the ICI Technology Board for ten years, latterly with responsibility for Bio-Science. He is a Fellow both of the Royal Academy of Engineering and the Institution of Chemical Engineers.

Senior management
Chief Executive Officer – Elliott Mannis
Agronomy – Steve Douty
Refining – Bill Bates
Trading – Pe ter Campbell
Finance – Richard Gudgeon
Business development – Ian Stokes
Communications – Graham Prince
India – Sarju Singh
Southern Africa – Demetri Pappadopoulos
South East Asia – Chris Chatterton

Company secretary
Richard Gudgeon

Registered office
D1 Oils plc
Forty Foot Road
Middlesbrough TS2 1HG

Broker and nominated advisor
Bell Lawrie
A division of Brewin Dolphin Securities
48 Vincent Street
Glasgow G2 5TS

Bankers
Barclays Bank plc
71 Grey Street
Newcastle-upon-Tyne NE99 1JP

Auditors
Deloitte & Touche LLP
Gainsborough House
34–40 Grey Street
Newcastle-upon-Tyne NE1 6AE

Financial advisors
Dresdner Kleinwort Wasserstein
20 Fenchurch Street
London EC3P 3DB

Solicitors
Pinsent Masons
Dashwood House
69 Old Broad Street
London EC2M 1NR

Registrars
Capita IRG
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Directors' report

The Directors present their report and the audited financial statements for the period ended 31 December 2005.

Principal activity
The Company's principal activity is that of a holding company. D1 Oils plc is the parent company of a group of companies engaged in agronomy, refining and trading of biodiesel fuel.

Review of business
The Group has continued to develop and expand its activities and further funding was obtained during 2005. Further details are included in the report of the Chairman and the Chief Executive Officer on pages 2 and 3.

Research and development
The Group has continued with the development and testing of its D1 20 refinery and completed the fabrication of an additional pre-processing unit.

Safety and environment
It is the Group's policy to minimise risks to employees and other stakeholders associated with the Group's activities. The Chief Executive Officer is accountable to the Board for the performance of the Group's safety programme. The Group has had no major accidents during the last year.

The Group is committed that its activities should improve the local environments in which it operates. This will be achieved by the planting of jatropha and other feedstock crops, the reclamation of land and creation of employment in disadvantaged rural areas, the processing of jatropha and other inedible vegetable oils and the refining of vegetable oils into biodiesel.

Corporate and social responsibility
D1 Oils plc has a continuing commitment to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Dividends and transfers to reserves
No dividend has been paid or proposed for the period.

Directors and their interests
The Directors who served during the year, together with their beneficial interests in the ordinary share capital of the Company at 1 January 2005, or at date of appointment if later, and at 31 December 2005 are as follows:

	Holding 31 December 2005	Holding 1 January 2005
Executive		
Elliott Michael Mannis	**82,016**	—
Mark Lockhart Muir Quinn	**1,391,794**	1,642,243
Philip Kenneth Wood	**673,000**	673,000
William Peter Campbell	**250,000**	250,000
Stephen Peter Douty	**23,390**	—
Non-Executive		
Karl Eric Watkin	**3,084,389**	3,795,936
John Barclay Forrest	**125,000**	250,000
Peter John Davidson	**93,750**	93,750
Clive Neil Morton	**31,250**	—
Alec David Worrall	**1,078,543**	1,276,885
	6,833,132	8,106,814

On 28 September 2005 Karl Eric Watkin and Alec David Worrall changed status from Executive to Non-Executive Directors.

Mark Lockhart Muir Quinn resigned from the Company on 26 September 2005.

Philip Kenneth Wood resigned as a Director of the Company on 16 January 2006.

Elliott Michael Mannis and Stephen Peter Douty were appointed as Executive Directors on 19 July 2005.

Details of Directors' share options and compensation for loss of office are given in note 5 to these financial statements. Other than the consultancy agreements detailed in note 5, the Directors had no interest in any other contracts with the Company.

Corporate governance

As an AIM listed Company, there is no requirement to comply with the revised Combined Code, issued by the Financial Reporting Council in July 2003, (the "Combined Code"). However the Directors recognise the value of the provisions set out in the Combined Code and have decided to provide limited corporate governance disclosures based on certain of the disclosures required of a fully listed company.

The Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee, each of which comprises the Non-Executive Directors Alec David Worrall, John Barclay Forrest, Clive Neil Morton and Peter John Davidson with formally delegated duties and responsibilities.

The Audit Committee receives and reviews reports from management and the Company's auditors relating to the annual financial statements and the accounting and internal control systems in use throughout the Company. The Audit Committee has unrestricted access to the Company's auditors.

The Nomination Committee meets as required to consider and make recommendations on the appointment of Directors to the Board.

The Remuneration Committee reviews the scale and structure of the Executive Director's remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board. The Remuneration Committee also administers the Group's share option scheme.

Substantial interests

The following shareholdings of 3% or more of the ordinary share capital of the Company are set out in the register of members of the Company as at 31 December 2005.

	Quantity	%
Morgan Stanley Securities	3,764,755	12.06
Karl Eric Watkin	3,497,817	11.20
Lansdowne Partners LP	2,404,110	7.70
Majedie Investments	1,909,750	6.12
AXA Framlington Investment Management	1,778,338	5.70
Mark Lockhart Muir Quinn	1,416,794	4.54
Merrill Lynch Investment Managers (UK)	1,385,475	4.44
Invesco Asset Management	1,276,379	4.09
Alec David Worrall	1,078,543	3.45
	18,511,961	**59.30**

Policy on financial instruments

The Group's financial instruments comprise a mortgage, cash, finance leases, short-term debtors and creditors arising from its operations. The Group has not established a formal policy on the use of financial instruments but assesses the risks faced by the Group as economic conditions and the Group's operations develop. Further information is contained in note 20 to these financial statements.

Supplier payment policy

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay in accordance with those terms based upon the timely receipt of an accurate invoice. The holding company does not trade, however, the trade creditor days of the Group for the year ended 31 December 2005 were 34 days calculated in accordance with the requirements set down in the Companies Act 1985.

Political and charitable donations

During the year the Group has made no political or charitable donations.

Purchase of own shares

During the year the Group purchased its own shares as described in note 16 to these financial statements for use in an Employee Benefit Trust.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

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

Richard Gudgeon, Company Secretary
27 March 2006

Statement of Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

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

Independent auditors' report
to the members of D1 Oils plc

We have audited the financial statements of D1 Oils plc for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the notes to the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices) are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the report of the chairman and the chief executive officer, the directors' report and the other information contained in the Annual Report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practices, of the state of the group's and the individual company's affairs as at 31 December 2005 and of the group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Newcastle-upon-Tyne
27 March 2006

Consolidated profit and loss account
for the year ended 31 December 2005

	Note	**Year ended 31 December 2005 £000**	Year ended 31 December 2004 £000
Turnover: Group and share of joint venture		**461.7**	—
Less: share of joint venture		**(46.2)**	—
Group turnover		**415.5**	—
Cost of sales		**(501.1)**	—
Gross loss		**(85.6)**	—
Administrative expenses		**(8,083.8)**	(3,024.8)
Operating loss	3	**(8,169.4)**	(3,024.8)
Joint venture and associate:			
Share of operating losses and goodwill amortisation	11	**(51.6)**	—
Bank interest receivable		**764.1**	77.2
Bank interest payable		**—**	(116.7)
Loss on ordinary activities before taxation		**(7,456.9)**	(3,064.3)
Tax on loss on ordinary activities	6	**—**	—
Retained loss for the financial year withdrawn from reserves	7, 17	**(7,456.9)**	(3,064.3)
Loss per ordinary share			
Basic and diluted loss per ordinary share	8	**28.35p**	47.53p

All results derive from continuing operations.

During the previous period the holding company, D1 Oils plc, acquired a new subsidiary, D1 Oils Trading Limited. The profit and loss account has been prepared using merger accounting and is presented on a pro forma basis as if the Group had been in existence throughout both the current and prior periods. Further information is given in note 1.

A consolidated profit and loss account from the date of incorporation of the holding company is given in note 23.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2005

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Loss for the financial year – Group	**(7,405.3)**	(3,064.3)
– associates and joint ventures	**(51.6)**	—
Currency translation difference on foreign currency net investments	**(29.9)**	—
Total recognised losses relating to the year	**(7,486.88)**	(3,064.3)

Consolidated balance sheet
as at 31 December 2005

	Note	**Year ended 31 December 2005 £000**	Year ended 31 December 2004 £000
Fixed assets			
Intangible assets	9	**64.1**	67.6
Tangible assets	10	**4,170.0**	831.1
Other investments	11	**14.0**	—
		4,248.1	898.7
Current assets			
Debtors	12	**725.3**	79.3
Raw material stock		**126.3**	—
Cash at bank and in hand		**24,281.4**	9,562.4
		25,133.0	9,641.7
Creditors: amounts falling due within one year	13	**(1,823.2)**	(816.3)
Net current assets		**23,309.8**	8,825.4
Total assets less current liabilities		**27,557.9**	9,724.1
Creditors: amounts falling due after more than one year	14	**(840.0)**	(31.8)
Provisions for liabilities and charges:			
Share of gross assets in joint venture	11	**75.0**	—
Share of gross liabilities in joint venture	11	**(96.0)**	—
Share of net liabilities in associate	11	**(5.6)**	—
		(26.6)	—
Net assets		**26,691.3**	9,692.3
Capital and reserves			
Share capital	16	**312.3**	214.9
Share premium	17	**37,104.7**	12,808.4
Shares to be issued	17	**110.0**	—
Merger reserve	17	**437.7**	437.7
Own shares held	17	**(484.0)**	—
Profit and loss account	17, 18	**(10,789.4)**	(3,768.7)
Total equity shareholders' funds		**26,691.3**	9,692.3

These financial statements were approved by the Board of Directors on 27 March 2006.

Elliott Mannis
Chief Executive Officer

Company balance sheet
as at 31 December 2005

	Note	**Year ended 31 December 2005 £000**	Year ended 31 December 2004 £000
Fixed assets			
Investments	11	**139.0**	125.0
Current assets			
Debtors	12	**11,716.6**	3,421.5
Cash at bank and in hand		**23,685.8**	9,381.6
		35,402.4	12,803.1
Creditors: amounts falling due within one year	13	**(388.4)**	(360.6)
Net current assets		**35,014.0**	12,442.5
Total assets less current liabilities		**35,153.0**	12,567.5
Net assets		**35,153.0**	12,567.5
Capital and reserves			
Called up share capital	16	**312.3**	214.9
Share premium	17	**37,104.7**	12,808.4
Shares to be issued	17	**110.0**	—
Own shares held	17	**(484.0)**	—
Profit and loss account	17, 18	**(1,890.0)**	(455.8)
Total equity shareholders' funds		**35,153.0**	12,567.5

These financial statements were approved by the Board of Directors on 27 March 2006.

Elliott Mannis
Chief Executive Officer

Consolidated cash flow statement

for the year ended 31 December 2005

	Note	**Year ended 31 December 2005 £000**	Year ended 31 December 2004 £000
Net cash outflow from operating activities	i	**(7,747.2)**	(3,064.9)
Return on investments and servicing of finance	ii	**764.1**	(39.5)
Capital expenditure and financial investment	ii	**(3,445.0)**	(38.3)
Acquisitions	ii	**(25.0)**	—
Cash outflow before financing		**(10,453.1)**	(3,142.7)
Financing	ii	**25,172.1**	12,702.1
Increase in cash in the period	iii, iv	**14,719.0**	9,559.4

The consolidated cash flow statement should be read in conjunction with the notes to the consolidated cash flow statements on pages 20 and 21.

Notes to the consolidated cash flow statements
for the year ended 31 December 2005

i) Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Operating loss	**(8,169.4)**	(3,024.8)
Depreciation on tangible fixed assets	**92.1**	12.0
Amortisation of goodwill	**3.5**	2.6
(Increase)/decrease in debtors	**(646.0)**	64.5
Increase/(decrease) in creditors	**988.9**	(119.2)
(Increase)/decrease in stock	**(126.3)**	—
UITF17 expenses	**110.0**	—
Net cash outflow from operating activities	**(7,747.2)**	(3,064.9)

ii) Gross cash flows

Returns on investment and servicing of finance		
Interest received	**764.1**	77.2
Interest element of finance leases	**—**	(116.7)
	764.1	(39.5)
Capital expenditure		
Payments to acquire tangible fixed assets	**(3,461.2)**	(38.3)
Proceeds on disposal of leased assets	**30.2**	—
Purchase of trade investments	**(14.0)**	—
	(3,445.0)	(38.3)
Acquisitions		
Payment to acquire share of associated company	**(25.0)**	—
Financing		
Issue of ordinary share capital	**25,791.2**	14,951.3
Costs of raising finance	**(1,397.5)**	(1,490.2)
Purchase of own shares	**(3,479.9)**	—
Proceeds on disposal of own shares	**3,462.0**	—
Capital element of finance lease	**(43.7)**	(759.0)
Mortgage	**840.0**	—
	25,172.1	12,702.1

iii) Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Increase in cash in the year	**14,719.0**	9,559.4
Cash flow from movement in debt and lease financing	**(796.3)**	759.0
Change in net funds resulting from cash flows	**13,922.7**	10,318.4
New finance leases	**—**	(750.0)
New finance leases obtained on acquisition of subsidiary	**—**	(52.7)
Increase in net funds in year	**13,922.7**	9,515.7
Net funds at 1 January 2005	**9,518.7**	3.0
Net funds at 31 December 2005	**23,441.4**	9,518.7

iv) Analysis of changes in net funds

	At 1 January 2005 £000	Cash flows £000	Other non-cash changes £000	**At 31 December 2005 £000**
Cash at bank and in hand	9,562.4	14,719.0	—	**24,281.4**
Long term loans	—	(840.0)	—	**(840.0)**
Finance leases	(43.7)	43.7	—	**—**
	9,518.7	13,922.7	—	**23,441.4**

1. Accounting policies

The principal accounting policies adopted are described below.

Basis of preparation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 31 December 2005.

Accounting convention

The financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with United Kingdom applicable accounting standards.

During the previous period the holding company, D1 Oils plc, acquired a new subsidiary, D1 Oils Trading Limited. The pro forma consolidated profit and loss are presented as if the merger of D1 Oils plc with D1 Oils Trading Limited took place on the first day of each financial period presented and as though the Group, as presently constituted, had been in existence throughout those periods. The pro forma cash flow and balance sheet has been prepared on the same basis. All other acquisitions are accounted for under the acquisition method.

New accounting policies

The following policies have been adopted during the year in response to new transactions and are not changes to existing policies.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Plantation accounting

A major activity of the Group is to prepare previously untreated ground and to plant jatropha seeds and seedlings. Once mature the jatropha trees bear seeds that contain crude jatropha oil. This crude oil can be refined to produce biodiesel. The direct costs of site preparation and planting seedlings, to the point at which the trees are mature and producing seeds, are capitalised and amortised over the useful life of the trees, which is on average 30 years.

Stock

Stocks are stated at the lower of cost or net realisable value. Stock, including seeds and seedlings, also contains direct labour and appropriate overheads where applicable. Net realisable value is based on estimated selling price, less other costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items as appropriate.

Joint ventures

Entities in which the Group holds an interest on a long term basis, and which are jointly controlled by the Group with one or more other parties under a contractual agreement, are treated as joint ventures and are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of joint venture profits less losses while the Group's share of both the gross assets and the gross liabilities of the joint venture are shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates, representing any excess of the fair value of the share of identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Any unamortised balance of goodwill is included in the carrying value of the investment in joint ventures.

Employee Benefit Trust

In accordance with UITF38 "Accounting for ESOP Trusts", own shares held by the Employee Benefit Trust are treated as a reduction to shareholders' funds. These are held at cost until disposed of. Any profit or loss on disposal is treated as a movement in reserves.

Associates

In the Group financial statements, investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates, representing any excess of the fair value of the share of identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Existing accounting policies

The following policies have been applied consistently throughout the year and the preceding year.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Tangible fixed assets and depreciation

Depreciation on fixed assets is calculated to write off their cost, less estimated residual value, over their expected useful lives at the following annual rates using the straight line method.

Land	not depreciated
Buildings	20 years
Plantations	30 years
Plant and machinery	3 – 10 years
Motor vehicles	3 – 5 years
Fixtures, fittings and equipment	3 – 5 years

Foreign currencies

Monetary assets and liabilities denominated in overseas currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date. Individual transactions are translated at the rate of exchange ruling on the date of transaction. All exchange differences are included in the profit and loss account.

The results of overseas operations are translated at the closing rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Current tax

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

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account. Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Share options

In accordance with the provisions of UITF17, the difference between the exercise price and nominal value of share options granted is credited to the shares to be issued reserve. Charges are made to the profit and loss account in the period in which the options are granted.

2. Segmental information

The Group operates in only one class of business in those areas of the world where the Group is represented. A geographical split of the business is as follows:

	United Kingdom £000	Africa £000	Asia Pacific £000	India £000	Group £000
Turnover:					
Group and share of joint venture	372.9	—	7.0	81.8	461.7
Less: share of joint venture	—	—	—	(46.2)	(46.2)
Group turnover	372.9	—	7.0	35.6	415.5
Loss on ordinary activities before taxation					
Year ended 31 December 2005	**(6,117.8)**	**(682.5)**	**(298.3)**	**(358.3)**	**(7,456.9)**
Year ended 31 December 2004	(2,888.6)	(131.0)	(44.7)	—	(3,064.3)
Net assets/(liabilities)					
At 31 December 2005	**28,258.1**	**(940.7)**	**(278.2)**	**(347.9)**	**26,691.3**
At 31 December 2004	9,886.4	(151.7)	(42.4)	—	9,692.3

The Group generated no turnover in the period ended 31 December 2004.

Net finance income of £764,100 (2004: expense of £39,500) on central Group borrowings has been included within the United Kingdom segment.

The geographic regions of the Group have been renamed to reflect the Group operating divisions. This has not amended the prior year figures. Additionally, comparatives in the table above in respect of the operating loss have been amended to correct a typographical error in the previous year's financial statements.

3. Operating loss

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Operating loss is stated after charging/(crediting):		
Directors' remuneration (see note 5)	**1,023.2**	254.8
Bad debts	**—**	149.8
Depreciation:		
– owned assets	**92.1**	1.5
– leased assets	**—**	10.4
	92.1	11.9
Amortisation of goodwill	**3.5**	2.6
Research and development	**580.3**	484.7
Auditors' remuneration:		
– audit services		
– Group	**45.0**	28.0
– Company	**30.0**	15.0
Non-audit services:		
– taxation advisory	**67.5**	76.4
– other advisory services	**190.9**	124.1
Charged to share premium	**(190.9)**	(200.5)
	67.5	—

4. Information regarding employees

	Year ended 31 December 2005 Number	Year ended 31 December 2004 Number
Total average number employed by the Group including Executive Directors was:		
Executive Directors	**5**	7
Technical	**5**	—
Administration	**45**	—
Total	**55**	7

	£000	£000
The costs incurred in respect of these employees (including Directors) were:		
Wages and salaries	**1,701.0**	377.9
Social security costs	**951.1**	41.5
	2,652.1	419.4

	Number	Number
Total average number employed by the Company including Executive Directors was:		
Executive Directors	**5**	7
Technical	**—**	—
Administration	**—**	—
Total	**5**	7

	£000	£000
The costs incurred in respect of these employees (including Directors) were:		
Wages and salaries	**750.9**	377.9
Social security costs	**382.0**	41.5
	1,132.9	419.4

5. Directors' remuneration

	Basic salaries £000	Fees £000	Benefits in kind and other £000	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Executive Directors					
Karl Eric Watkin (i)	112.5	—	—	**112.5**	50.0
Mark Lockhart Muir Quinn (ii)	125.0	—	158.2	**283.2**	54.0
Alec David Worrall (i)	75.0	—	—	**75.0**	33.3
Philip Kenneth Wood (iv)	150.0	—	0.6	**150.6**	50.0
Elliott Michael Mannis (iii)	67.7	—	5.6	**73.3**	—
Stephen Peter Douty (iii)	67.7	—	0.6	**68.3**	—
William Peter Campbell	120.0	—	6.6	**126.6**	40.0
Non-Executive Directors					
John Barclay Forrest	12.0	15.5	—	**27.5**	9.2
Clive Neil Morton	12.0	16.3	—	**28.3**	9.2
Peter John Davidson	12.0	15.3	—	**27.3**	9.2
Karl Eric Watkin (i)	31.2	—	—	**31.2**	—
Alec David Worrall (i)	17.7	1.2	0.5	**19.4**	—
	802.8	48.3	172.1	**1,023.2**	254.8

i. On 28 September 2005 Karl Eric Watkin and Alec David Worrall changed status from Executive to Non-Executive Directors.
ii. Mark Lockhart Muir Quinn resigned from the Company on the 26 September 2005. His contract entitled him to a payment of £75,000 on leaving office with provision for a further £75,000 subject to the satisfaction of certain criteria which were subsequently met. This amount is included above within benefits in kind and other.
iii. Elliott Michael Mannis and Stephen Peter Douty were appointed as Executive Directors on 19 July 2005.
iv. Philip Kenneth Wood resigned as a Director of the Company on 16 January 2006. His contract entitled him to a payment of £150,000 on leaving office. This charge will be recognised in the year to 31 December 2006 and is excluded from the table above accordingly. Further, on 2 February 2006 he exercised 78,125 ordinary shares at £1.28 per share and 150,000 ordinary shares at £1.60 per share. At this time options over 294,187 ordinary shares lapsed. Philip Kenneth Wood still retains options over 444,186 ordinary shares at £1.60 per share until 31 July 2007.

5. Directors' remuneration (continued)

During the year ended 31 December 2005 the Group incurred consultancy costs of £55,800 to The Morton Partnership (2004: £nil), a company in which Clive Neil Morton is a director and shareholder; £129,000 of consultancy costs to Davidson Technology Limited (2004: £nil), a company in which Peter John Davidson has indirect control; £1,900 of consultancy costs to Walworth Gardens Limited (2004: £nil), a company in which Alec David Worrall is a director and shareholder. There were no outstanding balances with the above companies at 31 December 2005.

Additionally, the Group incurred consultancy costs of £nil to RedComm Limited (2004: £100,000), a company in which Karl Eric Watkin was a director and shareholder; £nil consultancy costs to Global Trading Group Limited (2004: £100,000), a company in which Mark Lockhart Muir Quinn was a director and shareholder; and £nil consultancy costs to Almegar Solutions (2004: £66,667), a company in which Alec David Worrall was a director and shareholder. All transactions were at arm's length. At the year end RedComm Limited owed the Group £nil (2004: £5,512), Almegar Solutions Limited owed the Group £nil (2004: £5,502) and Global Trading Group Limited owed the Group £nil (2004: £22,055). All interests in the aforementioned companies were disposed of during 2005.

Directors' share options:

Directors	Options 1 January 2005	Granted	Options 31 December 2005	Exercise price	Date exercisable	Expiry date
Karl Eric Watkin	39,062	—	39,062	£1.280	October 2005	October 2014
Mark Lockhart Muir Quinn	39,062	—	39,062	£1.280	October 2005	October 2014
Alec David Worrall	39,062	—	39,062	£1.280	October 2005	October 2014
Philip Kenneth Wood	234,374	—	234,374	£1.280	October 2005	October 2014
William Peter Campbell	39,062	—	39,062	£1.280	October 2005	October 2014
John Barclay Forrest	78,125	—	78,125	£1.280	October 2005	October 2014
Peter John Davidson	156,250	—	156,250	£1.280	October 2005	October 2014
Clive Neil Morton	156,250	—	156,250	£1.280	October 2005	October 2014
Philip Kenneth Wood	—	888,373	888,373	£1.600	January 2006	January 2015
William Peter Campbell	—	106,897	106,897	£2.900	a)	October 2015
Elliott Michael Mannis	—	33,613	33,613	£2.975	a)	May 2015
Elliott Michael Mannis	—	132,075	132,075	£2.650	a)	May 2015
Stephen Peter Douty	—	56,497	56,497	£1.770	a)	January 2015
Stephen Peter Douty	—	132,075	132,075	£2.650	a)	May 2015
	781,247	1,349,530	2,130,777			

a) These options have been granted as one third exercisable on the first anniversary of the date of grant. Thereafter a further 1/36 accrues monthly over the next 24 months so that the full amount granted is capable of exercise after three years.

6. Tax on loss on ordinary activities

The tax credit during the year was £nil (2004: £nil).

Factors affecting tax credit for the current year

The tax credit assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Loss on ordinary activities before tax	**(7,456.9)**	(3,064.3)
Tax at 30% thereon	**(2,237.1)**	(919.3)
Expenses not deductible for tax purposes	**84.4**	213.7
Capital allowances greater than depreciation	**16.1**	—
Losses for which no tax relief available	**1,709.9**	653.8
Losses of overseas subsidiaries for which no tax relief available	**426.7**	51.8
Current tax credit for the period	**—**	—

At 31 December 2005 the Group has estimated management expenses of £2,097,000 (2004: £330,000) to carry forward to set off against future income and gains of the parent company and has estimated expenditure of £6,534,000 (2004: £2,264,000) which will be available to set against future trading profits of UK subsidiary companies. In addition overseas subsidiary companies have estimated expenditure of £1,620,000 (2004: £198,000) to set against future trading profits. A UK deferred tax asset of £2,605,000 (2004: £778,000) has not been recognised in respect of accelerated capital allowances, management expenses and expenditure carried forward as there is insufficient evidence that the asset will be recovered.

7. Loss of parent company

As permitted by section 230 of the Companies Act, the profit and loss account for the parent company is not presented as part of these financial statements. The parent company's loss for the year ended 31 December 2005 amounted to £1,900,300 (18 weeks ended 31 December 2004: £455,874).

8. Loss per ordinary share

Loss per share has been calculated using the weighted average number of shares in issue during the relevant financial periods in accordance with FRS14 for merged results. For the purposes of calculating the loss per ordinary share the weighted average number of shares excludes 193,645 shares held by the D1 Oils Employee Benefit Trust as disclosed in note 16.

The weighted average number of shares in issue is as detailed below and the earnings, being loss on ordinary activities after taxation, are £7,456,900 (2004: £3,064,000).

No separate diluted loss per share has been disclosed as the share options are anti-dilutive.

	Year ended 31 December 2005 Number	Year ended 31 December 2004 Number
Weighted average number of shares	**26,297,460**	6,447,640

	2005 Pence	2004 Pence
Loss per ordinary share – basic and diluted	**28.35p**	47.53p

9. Intangible assets

Goodwill	£000
Cost	
At 1 January 2005	70.2
Additions during the year	—
At 31 December 2005	**70.2**
Accumulated depreciation	
At 1 January 2005	2.6
Charge for the year	3.5
At 31 December 2005	**6.1**
Net book value	
At 31 December 2005	**64.1**
At 31 December 2004	67.6

10. Tangible fixed assets

	Freehold property £000	Plantations £000	Motor vehicles £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost						
At 1 January 2005	—	—	57.0	769.9	16.2	843.1
Additions	1,283.2	650.7	20.8	1,449.0	57.5	3,461.2
Disposals	—	—	(53.4)	—	—	(53.4)
At 31 December 2005	**1,283.2**	**650.7**	**24.4**	**2,218.9**	**73.7**	**4,250.9**
Accumulated depreciation						
At 1 January 2005	—	—	10.5	—	1.5	12.0
Charge for the year	—	—	17.6	60.8	13.7	92.1
Disposals	—	—	(23.2)	—	—	(23.2)
At 31 December 2005	**—**	**—**	**4.9**	**60.8**	**15.2**	**80.9**
Net book value						
At 31 December 2005	**1,283.2**	**650.7**	**19.5**	**2,158.1**	**58.5**	**4,170.0**
At 31 December 2004	—	—	46.5	769.9	14.7	831.1

Included within plant and machinery are leased assets with a net book value of £nil (2004: £43,700).

11. Investments in Group undertakings

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Subsidiary undertakings	**—**	—	**125.0**	125.0
Other investments	**14.0**	—	**14.0**	—
Included in investments	**14.0**	—	**139.0**	125.0
Associates	**(5.6)**	—	**—**	—
Joint ventures	**(21.0)**	—	**—**	—
Included in provisions	**(26.6)**	—	**—**	—

Company subsidiary undertakings:

	Company £000
Cost	
At 1 January and 31 December 2005	**125.0**
Provisions for impairment	
At 1 January and 31 December 2005	**—**
Net book value	
At 1 January and 31 December 2005	**125.0**

Other investments:

	Group £000
Cost	
At 1 January 2005	—
Additions	14.0
At 31 December 2005	**14.0**
Provisions for impairment	
At 1 January 2005	—
Provided in the year	—
At 31 December 2005	**—**
Net book value	
At 31 December 2005	**14.0**

Group associates and joint ventures:

	Group £000
Share of net assets/(cost)	
At 1 January 2005	—
Additions	—
Share of retained loss in the year	(32.9)
At 31 December 2005	**(32.9)**
Provisions for impairment	
At 1 January and 31 December 2005	**—**
Goodwill	
At 1 January 2005	—
Additions	25.0
Written off	(18.7)
At 31 December 2005	**6.3**
Net book value	
At 31 December 2005	**(26.6)**

The Company owns more than 10% of the share capital of the following subsidiary companies:

Name	Nature of business	Country of registration	Shareholder class	Percentage
D1 Oils Trading Limited	Biodiesel trading	UK	Ordinary	100%
D1 Oil Subsidiary Limited	Biodiesel trading	UK	Ordinary	100%
D1 (UK) Limited	Biodiesel trading	UK	Ordinary	100%
D1 Oils Asia Pacific Inc	Biodiesel trading	Philippines	Ordinary	100%
D1 Oils South Africa (PTY) Limited	Biodiesel trading	South Africa	Ordinary	75%
D1 Oils Mohan Pvt Limited	Biodiesel trading	India	Ordinary	50%
D1 Oils Ghana (PTY) Limited	Biodiesel trading	Ghana	Ordinary	100%
D1 Oils Malaysia SBN BHD	Biodiesel trading	Malaysia	Ordinary	99.8%
D1 Oils India Pvt Limited	Biodiesel trading	India	Ordinary	100%
D1 Oils Madagascar Limited	Biodiesel trading	Madagascar	Ordinary	100%
D1 Oils Zambia Limited	Biodiesel trading	Zambia	Ordinary	100%
GroupBio Limited	Engine development	UK	Ordinary	25%
D1 Oils Africa (PTY) Limited	Dormant	South Africa	Ordinary	100%
D1 Oils Tanzania Limited	Dormant	Tanzania	Ordinary	90%

12. Debtors

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Debtors	**170.8**	78.1	**—**	11.7
Taxation and social security	**267.1**	—	**267.1**	—
Amounts owed by subsidiary undertakings	**—**	—	**11,392.6**	3,409.8
Prepayments	**287.4**	1.2	**56.9**	—
	725.3	79.3	**11,716.6**	3,421.5

13. Creditors: amounts falling due within one year

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Obligations under finance leases (note 15)	**—**	11.9	**—**	—
Trade creditors	**882.8**	555.4	**47.5**	—
Directors' loans	**—**	55.2	**—**	27.1
Other loans	**3.2**	65.8	**—**	—
Taxation and social security	**72.4**	84.1	**—**	333.5
Accruals and deferred income	**864.8**	43.9	**340.9**	—
	1,823.2	816.3	**388.4**	360.6

14. Creditors: amounts falling due after one year

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Mortgage payable (note 15)	**840.0**	—	**—**	—
Obligations under finance leases (note 15)	**—**	31.8	**—**	—
	840.0	31.8	**—**	—

15. Borrowings

	Group 2005 £000	Group 2004 £000	**Company 2005 £000**	Company 2004 £000
Amounts due within one year or on demand	**—**	—	**—**	—
Between one and two years	**60.0**	11.9	**—**	—
Between two and five years	**180.0**	11.9	**—**	—
Over five years	**600.0**	19.9	**—**	—
	840.0	43.7	**—**	—

The Group borrowings in 2005 relate to the mortgage on the site at the Forty Foot Road, Middlesbrough TS2 1HG. The mortgage is secured by a fixed charge over the property. The interest rate payable on the loan is fixed at 1.75% over LIBOR for the period of the mortgage which is repayable in 56 quarterly instalments commencing March 2007.

The borrowings in 2004 related to obligations under finance leases which were discharged during 2005. Obligations under the finance leases were secured on the assets to which they related.

16. Called up share capital

	2005 £000	2004 £000
Authorised		
52,000,000 (2004: 52,000,000) ordinary shares of 1p each	**520.0**	520.0
Called up, allotted and fully paid		
31,225,481 (2004: 21,492,864) ordinary shares of 1p each	**312.3**	214.9

On 14 June 2005 the Company completed the placing of 9,732,617 new ordinary shares. The Company received cash consideration of £25,791,200 for this placing prior to expenses of £1,397,500.

Also during the period the Company purchased 1,385,000 of its own ordinary shares of 1p, representing 4.4% of the issued share capital of the Company at 30 June 2005. This was also the maximum number of such shares held during the year. These shares, which are held in an Employee Benefit Trust established for the purpose, were purchased on the open market with financing provided by the Company and in accordance with UITF38 are shown in reserves as own shares held.

On 19 July 2005 D1 Oils plc disposed of 1,191,355 ordinary shares each at £2.95. At 31 December 2005 the remaining shareholding in the Company held by the Employee Benefit Trust was 193,645 (2004: nil) ordinary shares and the market value of these shares was £339,847 (2004: £nil).

17. Movement on reserves

	Share capital £000	Share premium £000	Shares to be issued £000	Own merger reserve £000	Shares held and loss £000	Profit £000
Group						
At 1 January 2005	214.9	12,808.4	—	437.7	—	(3,768.7)
Loss for the year	—	—	—	—	—	(7,456.9)
Share issue	97.4	25,693.8	—	—	—	—
Share issue costs	—	(1,397.5)	—	—	—	—
Shares to be issued	—	—	110.0	—	—	—
Currency translation difference on foreign currency net investments	—	—	—	—	—	(29.9)
Gain on own shares held	—	—	—	—	(466.1)	466.1
Purchase of own shares	—	—	—	—	(3,479.9)	—
Proceeds on sale of own shares	—	—	—	—	3,462.0	—
At 31 December 2005	**312.3**	**37,104.7**	**110.0**	**437.7**	**(484.0)**	**(10,789.4)**
Company						
At 1 January 2005	214.9	12,808.4	—	—	—	(455.8)
Loss for the year	—	—	—	—	—	(1,900.3)
Share issue	97.4	25,693.8	—	—	—	—
Share issue costs	—	(1,397.5)	—	—	—	—
Shared to be issued	—	—	110.0	—	—	—
Gain on own shares held	—	—	—	—	(466.1)	466.1
Purchase of own shares	—	—	—	—	(3,479.9)	—
Proceeds on sale of own shares	—	—	—	—	3,462.0	—
At 31 December 2005	**312.3**	**37,104.7**	**110.0**	**—**	**(484.0)**	**(1,890.0)**

18. Reconciliation of movement in consolidated equity shareholders' funds

	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Loss for the year	**(7,456.9)**	(3,064.3)
Shares issued in the year (net of issue costs)	**24,393.7**	13,023.3
Merger reserve adjustment	**—**	437.7
Purchase of own shares	**(3,479.9)**	—
Proceeds on sale of own shares	**3,462.0**	—
Shares to be issued	**110.0**	—
Foreign exchange reserve	**(29.9)**	—
Net addition to shareholders' funds	**16,999.0**	10,396.7
Opening equity shareholders' funds/(deficit)	**9,692.3**	(704.4)
Closing equity shareholders' funds	**26,691.3**	9,692.3

19. Non-cash transactions

During the year ended 31 December 2005 the Group entered into finance lease arrangements in respect of assets with a total capital value of £nil (2004: £52,700).

20. Financial instruments

The main risks arising from the Group's operations are interest rate risk, liquidity risk, foreign currency translation risk and certain commodity price risks. The Group does not trade in financial instruments. In the opinion of the Directors the fair value of the Group's financial instruments are not materially different to the book value.

The Group's financial assets predominantly comprise cash which earns interest at a floating rate based on LIBOR. At 31 December 2005 the average interest earned on the cash balance was 4.48% (2004: 3.5%).

Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs while investing cash assets safely and profitably.

Interest rate risk

The Group has one mortgage obligation the terms of which include a floating interest rate of 1.75% above LIBOR. The capital outstanding at 31 December 2005 was £840,000 (2004: £43,787 at 8%).

Foreign currency translation risk

The main functional currency of the Group is Sterling. From time to time the Company enters into contracts for the purchase of jatropha oil and seeds. All of these contracts are denominated in US Dollars and are to purchase jatropha seeds for processing and jatropha oil for refining through the Group's own refineries. The approximate value of these contracts is $412m (2004: $473m) over 20 years.

No significant currency risks arise through the consolidation of overseas subsidiaries at 31 December 2005. The Directors are actively developing an appropriate means of mitigating the risk of these entities as they become a more significant element of the business.

The Group's cash balances split by currency and shown as a sterling equivalent, converted at Bank of England exchange rates at 31 December 2005 are:

	2005 £000	2004 £000
British Pounds	**23,691.3**	9,545.1
US Dollars	**287.8**	—
Indian Rupees	**138.8**	—
South African Rand	**35.4**	11.1
Swaziland Lilangeni	**30.3**	—
Euros	**64.8**	—
Malaysian Ringgits	**30.1**	—
Ghanaian Cedi	**1.9**	—
Philippines Peso	**1.0**	6.2
Total	**24,281.4**	9,562.3

Commodity price risks

During 2005 the Group did not engage in commodity related financial instruments, including hedging.

21. Financial commitments

Capital commitments

As at 31 December 2005 expenditure contracted for but not provided in these financial statements was £nil (2004: £nil).

Purchase commitments

From time to time the Company enters into supply commitments for the supply of jatropha oil and seeds as described in the foreign currency translation risk section of note 20. All of these contracts are denominated in US Dollars.

22. Related party transactions

The Group has a 50:50 joint venture agreement with a joint venture partner, Mohan Breweries and Distilleries Limited relating to D1 Oils Mohan Pvt Limited. The agreement requires Mohan Breweries and Distilleries Limited to lead on planting and for D1 Oils Trading Limited to lead on design and technology. D1 Oils Trading Limited did not introduce any working capital into the joint venture during the year. There were no amounts outstanding at 31 December 2005.

The Group also has an associate agreement with GroupBio Limited to provide sponsorship funding to develop and race a biofuel racing car. During the year ended 31 December 2005 D1 Oils Trading Limited introduced £25,000 (2004: £nil) of share capital and £65,000 (2004: £nil) of sponsorship funding. There were no amounts outstanding at 31 December 2005.

Any related party transactions which apply to Company Directors are shown in note 5 above.

During the previous year the Group reached an agreement to acquire intellectual property rights relating to refineries from Steve Davis, a shareholder in the Company, for nil value and the Group agreed to forego a debt of £149,770 owed to Safety Issues (Fabrication) Limited, a company in which Steve Davis is a director and shareholder. There were no similar transactions during the current period.

23. Statutory consolidated profit and loss

	18 week period ended 31 December 2004 £000
Operating expenses	(987.9)
Operating loss	**(987.9)**
Bank interest receivable	76.9
Bank interest payable	(116.6)
Loss on ordinary activities before taxation	**(1,027.6)**
Tax on loss on ordinary activities	—
Retained loss for the financial year withdrawn from reserves	**(1,027.6)**

The profit and loss account above is required by the Companies Act 1985 and covers the first statutory accounting reference period of D1 Oils plc from its date of incorporation on 24 August 2004 to 31 December 2004.

Disclosure notes for this period are not presented as the Directors do not believe they would provide meaningful information to users of the financial statements.

Directors' remuneration for this period is included within the amounts disclosed in note 5 which presents remuneration for the 52 weeks to 31 December 2004. Amounts for the period 24 August 2004 to 31 December 2004 in respect of salaries and other time-related costs can be derived by apportioning the annual amounts.

Notice of Annual General Meeting

D1 Oils plc

Notice is hereby given that the Annual General Meeting of the members of the Company will be held at Dresdner Kleinwort Wasserstein, Gaumont Suite, 20 Fenchurch Street, London EC3P 3DB on 25 May 2006 at 10 a.m. to transact the following business.

Ordinary business

1. To receive the annual accounts of the Company for the financial year ended 31 December 2005 together with the Directors' report for that financial year and the auditors' report on those accounts.

2. To re-appoint Deloitte & Touche LLP as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid before the shareholders in accordance with the provisions of the Companies Act 1985 and to authorise the Directors to fix the auditors' remuneration.

3. To re-appoint as a Director of the Company, William Peter Campbell, who retires under Article 89 of the Company's Articles of Association.

4. To re-appoint as a Director of the Company, Karl Eric Watkin, who retires under Article 89 of the Company's Articles of Association.

5. To re-appoint as a Director of the Company, Elliott Michael Mannis, who retires under Article 94 of Company's Articles of Association.

6. To re-appoint as a Director of the Company, Stephen Peter Douty, who retires under Article 94 of the Company's Articles of Association.

Special business

To consider and, if thought fit, pass the following resolutions of which resolution 7 will be proposed as an ordinary resolution and resolution 8 will be proposed as a special resolution:

Ordinary resolution

7. That, in substitution for all existing authorities, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985 (the "Act"), to exercise all powers of the Company to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of £104,845 provided that this authority will expire 15 months after the date on which this resolution is passed or on the expiration of the period from the date this resolution is passed to the date that the next Annual General Meeting of the Company is concluded (whichever occurs first), but the Company may, before this authority expires, and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred by this resolution had not expired.

Special resolution

8. That, subject to and conditional upon the passing of resolution 7, the Directors be and they are hereby given power, in substitution for all existing authorities, in accordance with section 95 of the Act to allot equity securities for cash (within the meaning of section 94 of the Act) pursuant to the authority conferred by resolution 7 above as if section 89(1) of the Act did not apply to the allotment provided that such power shall be limited to:

   8.1 the allotment of equity securities in connection with an offer of equity securities open for acceptance for a period fixed by the Board to holders of equity securities on the register of members of the Company on a date fixed by the Board in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto but subject to such exclusions or other arrangements as the Board of Directors may deem necessary or expedient to deal with:
   - 8.1.1 fractional entitlements; or
   - 8.1.2 directions from any holders of shares to deal in some other manner with their respective entitlements; or
   - 8.1.3 legal or practical problems arising in any overseas territory; or
   - 8.1.4 the requirements of any regulatory body or stock exchange; and

   8.2 the allotment (otherwise pursuant to sub-paragraph 8.1 above) of up to an aggregate nominal amount of £15,726,

   and the power conferred shall expire 15 months after the date of passing of this resolution or on the expiration of the period from the date this resolution is passed to the date that the next Annual General Meeting is concluded (whichever first occurs) but may be previously revoked or varied by special resolution and so that the Company may before such expiry make an offer or agreement which will or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

By order of the Board

Richard Gudgeon
Company Secretary
Forty Foot Road
Middlesbrough
Cleveland TS2 1HG
12 April 2006

Notes

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.

2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a duly certified copy of such authority) must be deposited at the Company's registrars, Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

3. Copies of all Directors' service contracts will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the meeting and at the venue of the meeting for at least 15 minutes prior to and at the meeting.

4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at 10 a.m. on 23 May 2006 shall be entitled to attend and vote at the Annual General Meeting or, if the meeting is adjourned, 10 a.m. on the date being two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after 10 a.m. on the relevant date shall be disregarded in determining the right of any person to attend or vote at the meeting.

Form of proxy – D1 Oils plc

for the Annual General Meeting

I/We (block capitals).....

of .....

being a member(s) of the above named Company hereby appoint the Chairman of the Meeting or (notes 1 and 5)

.....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Dresdner Kleinwort Wasserstein, Gaumont Suite, 20 Fenchurch Street, London EC3P 3DB on 25 May 2006 at 10 a.m., and at any adjournment thereof.

I/we direct my/our proxy to vote as indicated by an X in the appropriate column (note 2)

Ordinary business

Resolution	For	Against
1. Ordinary resolution – to adopt the Annual Report and Accounts	☐	☐
2. Ordinary resolution – to re-appoint Deloitte & Touche LLP as auditors and to authorise the Directors to fix their remuneration	☐	☐
3. Ordinary resolution – to re-appoint William Peter Campbell as a Director	☐	☐
4. Ordinary resolution – to re-appoint Karl Eric Watkin as a Director	☐	☐
5. Ordinary resolution – to re-appoint Elliott Michael Mannis as a Director	☐	☐
6. Ordinary resolution – to re-appoint Stephen Peter Douty as a Director	☐	☐

Special business

Resolution	For	Against
7. Ordinary resolution – to authorise the Directors to allot securities	☐	☐
8. Special resolution – to give the Directors power to allot securities for cash without making an offer to shareholders	☐	☐

Date..... 2006

.....

.....

Signature(s) and/or common seal (notes 3 and 4)

Notes

1. A proxy need not be a member of the Company. Completion and return of this form of proxy does not preclude a member from subsequently attending and voting at the meeting. If you wish to appoint a proxy other than the Chairman of the Meeting, please cross out the words "the Chairman of the Meeting or" and write the full name and address of your proxy in the space provided. The change should be initialled.

2. If you do not indicate how you wish your proxy to vote on the specified resolutions or on any other matters (including any amendments to the resolutions), the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting.

3. This form must be signed and dated by the shareholder or his/her attorney duly authorised in writing. In the case of a corporation this form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.

4. A form of proxy, to be valid, must be signed and dated and must be lodged, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power or authority, with the Company's registrars, Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the Meeting.

5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated. The vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the votes of the other holders. For this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.

6. Any alteration to this form must be initialled.

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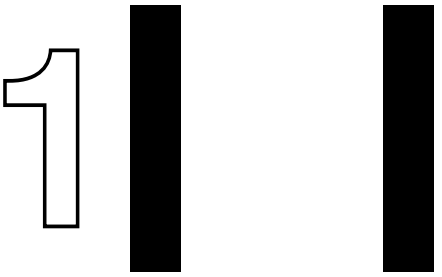

Capita Registrars
Proxies Department
PO Box 25
34 Beckenham Road
BECKENHAM
BR3 4BR

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