D1 Oils plc

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.

Operational highlights

Report of the Chairman and the Chief E ecutive Officer

Karl Watkin

Elliott Mannis

During 2005 the first full year of D1 s operation as a public company e made good progress in establishing the foundations on hich to build our global biodiesel business We achieved our key planting and refining targets and learnt much about here and ho to prioritise our activities Subse uent to the year end our management led by a ne Chief E ecutive Officer reaffirmed our intention to be a global leader in biodiesel We no strive to take advantage of the gro ing international push for rene able fuels Our strategy is firmly set on delivering value from earth to engine through our three core activities of agronomy refining and trading

n agronomy e are pioneering the science planting and production of inedible vegetable oils Our refining business designs builds operates and markets our refinery technology We are e ploring options to put in place a trading business that ill 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 hich re uire business units to address both short term profitability and longer term strategic positioning and returns he fundamental strength of the three business units ill enable us to deliver value at each stage from earth to engine We ill report and revie our business results according to this structure hence forth We begin 2006 ith our direction reaffirmed and our orld ide 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 e have planted or obtained the rights to offtake from a total of 37 000 hectares of atropha planting orld ide 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 e announced that e had successfully processed atropha oil to E 14214 standard We began construction of our first four commercial D1 20 refineries at the end of 2005 During February 2006 the first unit as deployed to our site in Middlesbrough and is currently being

We have made e cellent progress in developing D1 s agronomy and refi strengths against the backdrop of gro ing orld ide a areness of the potential of rene able fuels to meet future energy needs D1 s strategy been built on an earth to engine approach our agronomy e perience a refining e pertise the latter no proven across a range of crops have strengthened significantly in the year We are augmenting this ith a thir key business driver the trading of seeds and seedlings seedcake cru vegetable oils and biodiesel Our efforts are no focused on building upo this solid foundation to develop the global business footprint and achieve profitability in 2007

Karl Watkin Chairman

commissioned and tested Our K refinery deployments are on time and on budget

Our business overseas is presently focused on three regional markets ndia Southern Africa and South East Asia n ndia our principal relationships are in capital efficient oint ventures ith local commercial partners n Southern Africa e have three target markets being South Africa ambia and S a iland and our ork is supported by national government and tribal councils he business in South East Asia is at an early stage and e are developing relationships ith substantial partners in a number of key markets

Finances

During the year e raised additional funding of 24 4m net of e penses et cash at 31 December as 23 4m he loss for the year as 7 5m and reflects continuing investment for future gro th

Management

here ere 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 uly 2005 and the resignation of Mark uinn as a Director in September 2005 Subse uent to the year end e announced the resignation of Philip Wood and the appointment of Elliott Mannis as Chief E ecutive Officer On 28 March 2006 e 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 orld ide moved the biofuels market further in our favour We are ell positioned to sei e the opportunities for market gro th that e ist globally and e are focused on our strategy to develop agronomy refining and trading operations Our combination of these three activities within one global business gives us uni ue strength in an industry that continues to be fragmented bet een agricultural businesses process contractors refiners and commodity traders We have made a solid start to 2006 he Board is confident about the prospects for the coming year A key ob ective for the management team is to deliver a profit in 2007 On behalf of the Board e ould like to take this opportunity to thank our e ecutive management our business teams our partners and advisors for their hard ork and support over the year

Karl Watkin
Chairman

Elliott Mannis
Chief E ecutive Officer

Agronomy

During 2005 e initiated a ma or agronomy programme his as focused on our F
Development Centre in Coimbatore ndia and our ork ith leading international
breeders and tissue culture specialists in olland he ob ective of this programme
to identify and produce our o n high yielding proprietary varieties of atropha iel
from planting ild seed are e pected to be modest o ever e are making good
progress in our agronomy programme to breed high yielding commercial varieties

p to 18 March 2006 e have planted or obtained the rights to offtake from a total o
37 000 hectares of atropha orld ide and are forecasting to have 42 000 hecta
31 March he position at 18 March is summarised in the table belo

	Managed plantations	Contract farming	Seed purchase and oil supply agreements	otal
ndia		10 000	15 000	25 000
Africa	4 000			4 000
South East Asia		6 000	2 000	8 000
otal hectares	4 000	16 000	17 000	37 000

Managed plantations are those farms here the land and labour is directly controlled b
D1 n contract farming individual farmers purchase seed and seedlings from and en
into offtake agreements ith D1 rees are planted on the farmers o n land yp
planting is supported by bank finance ithout recourse to D1 but facilitated by D1 s
offtake arrangements Seed purchase and oil supply agreements represent offtake
contracts over e isting atropha planting

he business anticipates further planting under e isting arrangements each year
instances pre e isting planting agreements have not been progressed o ever
continue to enter into ne agreements for further planting that ill deliver greater va
We have recently concluded agronomy agreements including Williamson Magor in nd
the Kachumu ribal Council in ambia and Petrotek in ndonesia We are also e pl
ne markets including China here e have recently signed a Memorandum of
nderstanding MO for a model farm

p to 18 March 2006 e have planted or obtained the rights to offtake from a total of 37 000 hectares of atropha orld ide and are forecasting to 42 000 hectares by 31 March

Refining

Central to our refining strategy is our modular biodiesel refinery the D1 20 he D1 is a stand alone skid mounted unit capable of producing 8 000 tonnes of biodies year from a range of vegetable oil feedstocks using a continuous process he D1 20 technology and processes are proprietary and are the result of several years researc and development in the K

During 2005 e commenced manufacturing of the first four D1 20 production units We delivered the first of these for commissioning to our ne refinery centre in Middlesbrough in February 2006 on time and ithin budget We e pect to deliver a further three units to Middlesbrough by the end of une 2006 hese units are no substantially complete We are confident that e ill produce a further five units to meet our target of nine by December 2006

he D1 20 biodiesel refinery has a capacity of 8 000 tonnes per annum and the deployment of the first cluster of four units ill give our Middlesbrough site a total annual production capacity of 32 000 tonnes We purchased the site in Middlesbrou in late 2005 he nine acre site is 800m from harfs on the ees and is located clos e isting rail sidings he site has significant potential for e panding refinery operat and clustering enables significant cost efficiencies t ill be a sho case for our ref technology housing research and development final assembly and testing facilities refinery units for e port and training facilities for refinery cre s from D1 s interna operations and overseas partners and customers he D1 20 refinery previously situa in the orth West of England ill also be located at the site

he D1 20 biodiesel refinery has a capacity of 8 000 tonnes per annum a deployment of the first cluster of four units ill give our Middlesbrough site total annual production capacity of 32 000 tonnes

aving successfully completed 24 7 trials of our D1 20 test refinery in April 2005 to produce biodiesel meeting the European nion s E 14214 standard from rapeseed oil e 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 e successfully completed refining tests for soy and palm and on 21 March e announced the successful processing of atropha to E 14214 standard biodiesel hese trials have demonstrated that our proprietary refining and pre processing technology is capable of dealing ith a range of potential food and non food grade feedstocks

aving conducted detailed refinery modeling e 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

oing for ard e ill both o n and operate our refineries in our o n right and e ill seek to pro ect finance any such assets We ill also seek to market licence and sell our refinery technology to others

rading

A orld class trading capability ill be an important factor in our future gro th Bu capabilities in the transport and trade of seeds seedlings and seedcake ill underp our e panding agronomy business Similarly our refinery business ill not reach its potential unless e have the mechanisms and skills in place to obtain crude vegetable at the most competitive prices and to secure offtake agreements for the sale of biodie on the most advantageous terms We are e ploring a number of options to put a trad capability in place

During 2005 e began to build our e perience in logistics and uality control throug pilot toll processing programme ith Do altermann in Belgium hereby E 1421 biodiesel as produced from rapeseed and sold to erman customers he principal ob ective 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 orking ith leading technical advisors to ensure that hen D1 refineries operate in developing countries these credits are secured D1 should ualify for credits by enab fuel s itching from fossil fuel to biodiesel n addition our atropha agroforestry a planting programmes have the potential to produce carbon credits through the CO_2 absorbed by the atropha trees

Financial revie

Key financials

	2005	2004
urnover	0 4m	nil previously
Administrative e penses	8 1m	3 0m
oss before ta	7 5m	3 1m
oss per share	28 3p	47 5p
et cash at 31 December	23 4m	9 6m

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

he financial results have been prepared on a basis consistent ith previous periods according to nited Kingdom enerally Accepted Accounting Practices K AA he roup has adopted a ne accounting policy related to its managed plantations he direct costs of site preparation and planting are being capitalised into tangible fi ed assets and then amortised over the useful life of the trees hich is estimated at 30 years

otal roup 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 ith Do alterman 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 uantities

Administrative e penses of 8 1m 2004 3 0m reflect the gro th in the operational team and efforts e pended on business development he cost of feedstock and chemicals purchased for refinery testing from hich the biodiesel produced as not subse uently sold has been reflected as a development cost ithin operating e penses nterest earned of 0 7m relates to the monies on deposit and arising from the share placing completed in une

he loss on ordinary activities before and after ta ation as 7 5m 2004 3 1m and the loss per ordinary share as 28 3p 2004 47 5p As losses ere incurred no corporation ta as payable

et cash defined as gross cash less mortgage on hand at 31 December as 23 4m 2004 9 6m ross cash as 24 2m and there as a mortgage loan payable of 0 8m he net inflo in the year to 31 December as 14 7m 2004 9 6m he most significant element in the cash flo as the proceeds from the share placing hich as completed in une 25 8m as raised before e penses of 1 4m

n addition to operating e penses significant investment is being devoted to the D1 20 refinery manufacturing programme We are intending to pro ect finance our refinery investments and a debt marketing process is in hand otal funds invested into the construction of D1 20 s as at 31 December 2005 amounted to 1 4m

Richard udgeon
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 ma or international supplier to the can making industry. In 1999 he created and floated the UK's first internet business-to-business exchange, 2C 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 anuary 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 oining D1. He also held senior financial positions, including Group Financial Controller, at Aegis Group plc, where he worked from 1993 to 1998. Before oining Aegis, Elliott spent nearly nine years at Price Waterhouse, initially in Vancouver and subse uently in London. Elliott oined D1 in 2005 as Chief Financial Officer and Company Secretary and was appointed as Chief Executive Officer in anuary 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 oining 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 oined 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 oining 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 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 ma or 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 head uarters before oining ICI in mergers and ac uisitions. Alec oined Tallent Engineering in 1979 and grew the business until its ac uisition by ThyssenKrupp UK plc. Alec oined 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 uest 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 E ecutive Officer Elliott Mannis
Agronomy Steve Douty
Refining Bill Bates
rading Pe ter Campbell
Finance Richard udgeon
Business development an Stokes
Communications raham Prince
ndia Sar u Singh
Southern Africa Demetri Pappadopoulos
South East Asia Chris Chatterton

Company secretary
Richard udgeon

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ondon EC2M 1 R

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he Registry
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Turnover

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

Plantation accounting

A ma or activity of the roup is to prepare previously untreated ground and to plant atropha seeds and seedlings nce mature the atropha trees bear seeds that contain crude atropha oil This crude oil can be refined to produce biodiesel The direct costs of site preparation and planting seedlings to the point at hich the trees are mature and producing seeds are capitalised and amortised over the useful life of the trees hich is on average years

Stock

Stocks are stated at the lo er of cost or net realisable value Stock including seeds and seedlings also contains direct labour and appropriate overheads here applicable et realisable value is based on estimated selling price less other costs expected to be incurred to completion and disposal Provision is made for obsolete slo moving or defective items as appropriate

Joint ventures

Entities in hich the roup holds an interest on a long term basis and hich are ointly controlled by the roup ith one or more other parties under a contractual agreement are treated as oint ventures and are accounted for using the gross e uity method The consolidated profit and loss account includes the roup s share of oint venture profits less losses hile the roup s share of both the gross assets and the gross liabilities of the oint venture are sho n in the consolidated balance sheet ood ill arising on the ac uisition of associates representing any excess of the fair value of the share of identifiable assets and liabilities ac uired is capitalised and ritten off on a straight line basis over its useful economic life of years Any unamortised balance of good ill is included in the carrying value of the investment in oint ventures

Employee Benefit Trust

In accordance ith ITF Accounting for ES P Trusts o n 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 roup financial statements investments in associates are accounted for using the e uity method The consolidated profit and loss account includes the roup s share of associates profits less losses hile the roup s share of the net assets of the associates is sho n in the consolidated balance sheet ood ill arising on the ac uisition of associates representing any excess of the fair value of the share of identifiable assets and liabilities ac uired is capitalised and ritten off on a straight line basis over its useful economic life of years Any unamortised balance of good ill is included in the carrying value of the investment in associates

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 rite off their cost less estimated residual value over their expected useful lives at the follo ing annual rates using the straight line method

and	not depreciated
Buildings	years
Plantations	years
Plant and machinery	years
otor vehicles	years
Fixtures fittings and e uipment	years

Foreign currencies
onetary 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 borro ings to the extent that they hedge the roup 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 corporation tax and foreign tax is provided at amounts expected to be paid or recovered using the tax rates and la s 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 hen they crystallise based on current tax rates and la Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in hich 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 ill 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 perating lease rentals are charged to profit and loss in e ual 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 ith the provisions of ITF the difference bet een 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 hich the options are granted

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