



D1 Oils plc

**Placing and admission to the
Alternative Investment Market**

**by
Bell Lawrie White**

(A division of Brewin Dolphin Securities Limited)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document which comprises a prospectus, has been drawn up in accordance with the AIM Rules and the POS Regulations. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations.

The Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Ordinary Shares in issue and to be issued pursuant to the Placing to be admitted to trading on AIM.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List. It is emphasised that the Ordinary Shares are not dealt in on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to trading on any such exchange. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 29 October 2004.

The whole of the text of this document should be read. Your attention is drawn in particular to the section entitled "Risk Factors" in Part II of this document.

D1 Oils plc

(Incorporated and registered in England and Wales with Registered No. 5212852)

Placing of 8,125,000 Ordinary Shares of 1p each at a price of 160p per share

Admission to trading on the Alternative Investment Market

Nominated Adviser and Broker

Bell Lawrie White

(a division of Brewin Dolphin Securities Limited)

Authorised		Share capital immediately following the Placing Ordinary Shares of 1p each	Issued and fully paid	
Amount	Number		Amount	Number
£520,000	52,000,000	£214,928.64	21,492,864	

All the Ordinary Shares now being placed will rank, on Admission, *pari passu* in all respects with the existing issued Ordinary Shares including the right to receive all dividends or other distributions hereafter declared, paid or made.

Bell Lawrie White (a division of Brewin Dolphin Securities Limited), which is regulated by the Financial Services Authority, is acting exclusively for D1 Oils and no one else in connection with the Placing and Admission. Brewin Dolphin Securities Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Bell Lawrie White nor for providing advice in relation to the transactions and arrangements detailed in this document. Bell Lawrie White is not making any representation or warranty, express or implied, as to the contents of this document.

Climate Change Advisory Limited, ("CCA") which is authorised and regulated by the Financial Services Authority is acting as specialist financial adviser to D1 Oils and no one else in connection with the proposed Placing and will not be responsible to anyone other than D1 Oils for providing the protections afforded to clients of CCA, nor for giving advice in relation to the proposed Placing or any other matter referred to in this document. CCA is not making any representation or warranty, express or implied, as to the contents of this document.

The Placing described in this document is only being made in the United Kingdom. In particular, this document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (the “Securities Act”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act).

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DIRECTORS, SECRETARY AND ADVISERS

The Board	Karl Eric Watkin MBE, (<i>Chairman</i>) Philip Kenneth Wood, (<i>Chief Executive Officer</i>) William Peter Campbell, (<i>Chief Operating Officer</i>) Mark Lockhart Muir Quinn, (<i>Founder Director</i>) Alec David Worrall, (<i>Chief Finance Officer</i>) ¹ John Barclay Forrest OBE, (<i>Non-executive Director</i>) Dr Clive Neil Morton OBE, (<i>Non-executive Director</i>) Peter John Davidson FEng, (<i>Non-executive Director</i>) <i>The business address for each of the above is 100 Pall Mall, St James's, London SW1 5HP</i>
Company Secretary and Registered Office	Alec David Worrall Concorde House Concorde Way Preston Farm Business Park Stockton-on-Tees TS18 3RB
Nominated Adviser	Bell Lawrie White (a division of Brewin Dolphin Securities Limited) 48 St Vincent Street Glasgow G2 5TS
Financial adviser	Climate Change Advisory Limited Bond Street House 14 Clifford Street London W1S 4BX
Broker	Bell Lawrie White (a division of Brewin Dolphin Securities Limited) 48 St Vincent Street Glasgow G2 5TS
Solicitors to the Company	Pinsents Dashwood House 69 Old Broad Street London EC2M 1NR
Solicitors to the Placing	Lawrence Graham LLP 190 Strand London WC2R 1JN
Auditors and Reporting Accountants	Deloitte & Touche LLP Gainsborough House 34-40 Grey Street Newcastle-upon-Tyne NE1 6AE
Financial Public Relations	Brunswick Group Limited 16 Lincolns Inn Fields London WC2A 3ED
Registrars	Capita Registrars The Registry 34 Beckenham Road Kent BR3 4TU

¹Mr Worrall is also known as Alex Worrall and is referred to as Alex throughout this document.

DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing admission to and the operation of AIM
“Articles”	the articles of association of the Company
“Bell Lawrie White”	a division of Brewin Dolphin Securities Limited
“Board” or “Directors”	the board of directors of the Company, whose names are set out on page 4 of this document
“Company” or “D1 Oils”	D1 Oils plc, a public limited company incorporated and registered in England and Wales with registered number 5212852
“CREST”	the computerised settlement system to facilitate the holding of and the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
“CREST Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended
“D1 Oils Africa”	D1 Oils Africa (Pty) Limited, a company incorporated and registered in the Republic of South Africa under registered number 2002/009707/07
“D1 Oils Asia Pacific”	D1 Oils Asia Pacific, Inc., a company incorporated and registered in The Republic of The Philippines under registered number CS200406183
“D1 India”	D1 India (Private) Limited, a company in the process of being incorporated and registered in India
“D1 Oils South Africa”	D1 Oils South Africa (Pty) Limited, a company incorporated and registered in The Republic of South Africa under registered number 2002/017705/07
“D1 Oils Trading”	D1 Oils Trading Limited, a company incorporated and registered in England and Wales with registered number 4645184
“D1 (UK)”	D1 (UK) Limited, a company incorporated and registered in England and Wales with registered number 4468088
“EU”	European Union
“€”	Euro
“Existing Shares”	the 12,500,000 Ordinary Shares in issue at the date of this document
“Group”	the Company and its subsidiary undertakings
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the Official List of the United Kingdom Listing Authority

“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placees”	subscribers for the Placing Shares procured by Bell Lawrie White (as agent for the Company) pursuant to and on the terms of the Placing Agreement
“Placing”	the arrangements for the procurement of subscribers for the Placing Shares by Bell Lawrie White on behalf of the Company pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 21 October 2004 between (1) Bell Lawrie White, (2) the Company and (3) the Directors relating to the Placing, details of which are set out in paragraph 9.1 of Part IV of this document
“Placing Price”	160p per Placing Share
“Placing Shares”	8,125,000 new Ordinary Shares to be issued in connection with the Placing at the Placing Price
“POS Regulations”	The Public Offers of Securities Regulations 1995, as amended
“Prospectus”	this document published on 21 October 2004
“Shareholder(s)”	the person(s) who are registered as holder(s) of Ordinary Shares from time to time
“Shares”	the Ordinary Shares
“UK”	United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which by virtue of the CREST Regulations, may be transferred by means of CREST
“US” or “United States”	United States of America, each state thereof, its territories and possessions and the District of Columbia
“US\$” or “dollar”	United States dollar
“£”	United Kingdom pounds sterling

GLOSSARY

The following glossary terms apply throughout this document, unless otherwise stated or the context requires otherwise:

agronomy

The science and economics of crop production.

biodiesel

A lean burning alternative diesel-like fuel produced from energy crops which produce vegetable oil, tallow or cooking oils.

biofuel

Any fuel made from non-fossil organic matter such as vegetable oil or ethanol.

blends

Biodiesel can be blended with petroleum diesel at any concentration in most modern engines. For example, a 20 per cent. biodiesel blend is referred to as B20 and a 5 per cent. biodiesel blend would be referred to as B5. Pure biodiesel is referred to as B100.

D1 20

The Company's proprietary, modular biodiesel refinery.

EN 14214

The European Committee for Standardization on FAME quality standard to be used either as an automotive fuel for diesel engines at 100 per cent. concentration, or as an extender for automotive fuel for diesel engines, in accordance with the requirements of EN590; the European automotive diesel standard.

energy crops

Crops or plantations grown specifically for their fuel value.

European Biofuels Directive

Directive 2003/30/EC of the European Parliament and of the Council of the European Union of 8 May 2003 on the promotion of the use of biofuels and other renewable fuels for transport. In the UK, the Biofuel (Labelling) Regulations 2004 are expected to come into force on 31 December 2004 in order to give legislative effect to the Directive.

esterification

A process in which vegetable oil reacts with methanol or ethanol to produce biodiesel and glycerin.

expelling

Pure vegetable oil is extracted from oilseeds by crushing the seeds, otherwise known as the expelling process, in machines called expellers which are commonly used in the agricultural industry.

FAME

Fatty acid methyl ester, the compound family description name for biodiesel.

feedstock

Vegetable oils (including but not limited to rapeseed, canola, Jatropha, soy, sunflower, coconut, and palm oil), cooking oils and tallow (the fat produced from the rendering process) used as input to the biodiesel refining process.

glycerol

A co-product of the biodiesel refining process, commonly used in soaps and cosmetics.

Jatropha

Jatropha curcas – common name physic nut or purging nut; a growing tree that is native to South America, but widely planted in South and Central America, Africa and Asia. It finds traditional use principally as a living fence, protecting cropland from freely ranging animals in tropical countries.

micro propagation

The use of biotechnological methods to grow large numbers of plants from very small pieces of plants, often using tissue culture methods.

KEY INFORMATION

The following is derived from, and should be read in conjunction with, the full text of this document. Sole reliance should not be placed on the information set out below. In particular, your attention is drawn to the section entitled “Risk Factors” in Part II of this document.

Biodiesel is a renewable fuel which can be an alternative to or an addition to petroleum diesel and which has benefits for the environment. Global market demand for biodiesel is growing and is being shaped by international energy and environmental policies, creating a demand for biodiesel which it is estimated will be at least 10.5 billion litres by 2010 in the EU alone (*source: F.O. Lichts*). It is estimated that current European biodiesel production will satisfy less than half of the projected European market demand for biodiesel in 2010. The European Biodiesel Board stated that European biodiesel production for 2003 was approximately 1.5 billion litres.

D1 Oils’ objective is to become a global sustainable, low cost producer of biodiesel and supplier of crude vegetable oil and to achieve and maintain low production costs and consistent, high volume, quality output. The Group’s strategy is to control and manage its operations on a regional basis by securing plantation rights and establishing refinery operations. The Company’s approach is to exploit the growing global demand for biodiesel utilising an alternative, high yielding, vegetable oil source.

The Jatropha tree has been selected as the Group’s primary energy crop due to the following characteristics:

- high productivity
- durability
- longevity

To date, the Group has established operations and strategic and commercial relationships in 4 regions, being Europe (Teesside and London, UK), Africa (Johannesburg, South Africa), Asia Pacific (Manila, The Philippines) and India (Delhi).

D1 Oils Trading has secured plantation rights to approximately 37,000 hectares of land in Africa, India and The Philippines for the cultivation and production of Jatropha oil to be refined into biodiesel. Planting at certain of these pilot sites has already commenced. The Directors believe that each hectare is capable of producing 3,000 litres of biodiesel per annum.

In addition D1 Oils Trading has an option to contract approximately an additional 990,000 hectares of land in Burkina Faso. D1 Mohan Bio Oils Limited, a joint venture between D1 Oils Trading Limited and Mohan Breweries & Distilleries Limited, has an option to contract approximately 5,000,000 hectares of land in India, suitable for cultivation of Jatropha trees.

D1 Oils Trading has acquired all rights to the design and manufacture of the D1 range of modular biodiesel production equipment from the original designer.

During the course of 2005, the Group intends to commence production of three *D1 20* biodiesel refineries for leasing or purchase, on an arms length basis, to each of its regional operations in exchange for a royalty based on net biodiesel sales. The Directors intend to have all of these refineries fully commissioned during 2005 and believe that the modular nature of this refinery allows regions to quickly expand their refining capacity.

The Group has secured sufficient initial feedstock to satisfy the budgeted production capacity of the refineries, being approximately 8 million litres of biodiesel each per annum. As the Jatropha plantations are planted and mature, the Group will refine and/or sell the output, as appropriate. Concurrently with this, the Directors intend that the Group will invest in increased operational infrastructure appropriate to its ongoing growth. The Directors believe that the current geopolitical climate and the demand for fuels which satisfy an environmentally “friendly” requirement present the Group with a significant opportunity for growth.

The Directors believe that the Group has good growth potential and a clear business strategy and that a solid platform for growth has been achieved. The funds available from the Placing will enable the Group to continue to develop.

8,125,000 Ordinary Shares are being placed, representing 37.8 per cent. of the enlarged issued ordinary share capital of the Company following the Placing. This does not include any Ordinary Shares reserved for the exercise of options to subscribe for Ordinary Shares described in paragraph 7 of Part IV of this document. At the Placing Price, the Placing will raise approximately £11.6 million (net of expenses).

EXPECTED TIMETABLE

	<i>2004</i>
Admission and dealings in the Ordinary Shares to commence on AIM	29 October
CREST accounts credited by	29 October
Despatch of definitive share certificates (where applicable) by	12 November

PLACING STATISTICS

Placing Price	160p
Number of Existing Shares	12,500,000
Number of Placing Shares being issued pursuant to the Placing	8,125,000
Number of Ordinary Shares being issued at the Placing Price pursuant to capitalisation of debt	867,864
Number of Ordinary Shares in issue on Admission	21,492,864
Market capitalisation following the Placing at the Placing Price	£34.4 million
Gross proceeds of the Placing	£13 million
Estimated net proceeds of the Placing receivable by the Company exclusive of applicable VAT	£11.6 million
Percentage of the enlarged issued Ordinary Share capital available in the Placing	37.8 per cent.

PART I

INFORMATION ON THE GROUP

1. Biodiesel market and competition

Introduction

Biodiesel is a renewable fuel which can be an alternative to or an addition to petroleum diesel and which has benefits for the environment. D1 Oils' objective is to become a global, sustainable, low cost producer of biodiesel and supplier of crude vegetable oil used in the production of biodiesel. Global market demand for biodiesel is growing and is being shaped by international energy and environmental policies, creating a demand for biodiesel which it is estimated will be at least 10.5 billion litres by 2010 in the EU alone (*Source: F.O. Lichts*). It is currently estimated that EU biodiesel production will satisfy less than half of the projected EU market demand for biodiesel in 2010.

Market drivers and statistics

Biodiesel is becoming an increasingly important element in global energy policies because of its ability to:

- reduce the reliance on foreign oil for transportation fuels;
- improve the local and global environments through particulate emission reductions;
- contribute to a country's renewable fuel policy targets;
- generate increased levels of local employment;
- add incremental value to the local agricultural industry by providing additional cash generating energy crops; and
- create an alternative source of energy supply and fossil fuel replacement.

Petroleum diesel has a high level of particulate emissions and carbon monoxide released into the atmosphere. These emissions can have significant impacts on air quality and human health, and are attributed to an increased level of asthma in urban areas. The use of B100 and B20 biodiesel demonstrate significant reductions in harmful emissions, such as carbon monoxide and airborne particulates. When compared to petroleum diesel, biodiesel carbon monoxide emissions can be up to 50 per cent. less and particulate emissions reduced by up to 30 per cent.

The EU market for biodiesel is expected to be worth US\$2.4 billion by 2007 (up from US\$500 million in 2000) (*Source: Frost and Sullivan Study of the European Biodiesel Market, November 2001*). Additionally, biodiesel production capacity in the EU increased by over 35 per cent. between 2002 and 2003. The European Biofuels Directive has set indicative targets for a minimum level of biofuels (5.75 per cent. by 2010). The aspiration, as set out in the Green Paper "Towards a European Strategy for the Security of Energy Supply", is that, by 2020, EU member states will meet 20 per cent. of their road transport fuel needs from alternative sources.

With the establishment of biofuels strategies in other markets, the Directors believe that the global demand for biofuels will rise beyond its current growth rate of 14.5 per cent. per annum when projected demand expands to include Asia and selected African markets, target markets for the Group's operations. Based on current capacity, feedstock availability and positioning in the market, the global production of biodiesel is expected to reach 2.7 million tonnes (approximately 3 billion litres) by 2010. Governments globally are facilitating the integration of biodiesel into their industry's fuel mix by introducing a number of policy instruments, mechanisms and incentives for its production. Germany currently has zero excise duty on biodiesel compared with €0.48/litre on duty on petroleum diesel and the UK has a duty reduction of £0.20/litre compared with £0.471/litre of duty on petroleum diesel.

History

D1 (UK) (then named D1 Power Limited) was developed by a group of individuals, including Karl Watkin and Alex Worrall, during the course of 2002. Its primary focus was the development of a portable refinery

technology to produce biodiesel for the UK transport industry. D1 (UK) engaged specialists from the chemical industry to develop the project and several prototypes were built.

During 2002 these individuals concluded that the high price of rapeseed in Europe (averaging \$600 per tonne at that time), the main feedstock for biodiesel production, rendered exploitation of this technology commercially unattractive. The Group then sought an alternative feedstock with the intention of becoming a supplier of crude vegetable oil in addition to becoming a producer of biodiesel. The Group explored the detailed economics, yields and suitability of a variety of specific energy crops. During 2003 *Jatropha* was selected as its preferred feedstock, thereby focusing the Group's activities on securing output from *Jatropha* plantations. Also during this period various key individuals (including Mark Quinn and Miguel Patolot) became involved and D1 Oils Trading was formed and assumed D1 (UK)'s activities. Further information on the selection of *Jatropha* is set out in paragraph 4 of Part I of this document.

Additionally, the Board determined that refining capacity would be an important link in the Group's strategic supply chain. In 2003, an initial commercial biodiesel refinery was manufactured and operated on a test basis. In 2004, D1 Oils Trading acquired all rights to the design and manufacture of D1 (UK)'s range of modular biodiesel production equipment from the original designer.

2. The Group's business

Strategy

In order to reach its objective to become a global sustainable, low cost producer of biodiesel and supplier of crude vegetable oil and to achieve and maintain low production costs and consistent, high volume, quality output, the Group's strategy is to control and manage its operations on a regional basis by securing plantation rights and establishing refinery operations. The Company's approach is to exploit the growing global demand for biodiesel utilising an alternative, high yielding, vegetable oil source by:

- securing plantation rights from existing agricultural infrastructure, in regions selected on the basis of, inter alia, government energy policy, favourable climatic conditions and availability of existing feedstock;
- rolling out operations on a phased, regional basis;
- maintaining quality control and security of feedstock supplies;
- working with highly regarded agronomy and biotechnology research and development facilities to achieve quality control, security of supply and to improve productivity;
- attracting key senior executives and advisers;
- deploying a modular, refining technology, helping to satisfy regional demand for cost-effective, high quality biodiesel.

To date, the Group has established operations and strategic and commercial relationships in 4 regions, being Europe (Teesside and London, UK), Africa (Johannesburg, South Africa), Asia Pacific (Manila, The Philippines) and India (Delhi). Further details of these operations are set out in paragraph 3 of Part I of this Document.

Phased roll-out in selected regions

- *Phase 1*

The Group's business model, initially, is to meet the biodiesel needs of the local market by establishing a refinery in a selected region and purchasing local vegetable oil for the production of biodiesel. The Group's objective is to use locally sourced *Jatropha* oil and its own refineries, close to the point of seed production, which the Directors believe will reduce logistics, risks and costs.

- *Phase 2*

Thereafter, the Group intends to commence harvesting its *Jatropha* plantations which have been planted to secure access to long-term feedstock. The first commercial crop of *Jatropha* seeds will be available approximately 2 years after planting. The Group intends to produce a reliable source of energy crops in its chosen regions (pursuant to the plantation and supply agreements), both for biodiesel production and to export crude *Jatropha* oil to third party biodiesel producers.

- *Phase 3*

The Group intends to pursue further development opportunities it has identified in Africa, India and South West Asia.

Supply arrangements and plantation rights

D1 Oils Trading has entered into three contracts to purchase up to a total of approximately 24,000 tonnes of crude Jatropha oil per annum for ten years (at an average price of US\$273 per tonne). Under the terms of one of these contracts, the Jatropha oil will be produced from seeds supplied by or procured by D1 Oils Trading.

D1 Oils Trading has also secured plantation rights to approximately 37,000 hectares of land in Africa, India and The Philippines for the cultivation and production of Jatropha oil to be refined into biodiesel. Planting has already commenced in India and at nursery plantations in The Philippines. Further details of these agreements are set out in paragraph 9 of Part IV of this document.

In addition to 37,000 hectares described above, D1 Oils Trading has an option to contract approximately an additional 990,000 hectares of land in Burkina Faso. D1 Mohan Bio Oils Limited, a joint venture between D1 Oils Trading Limited and Mohan Breweries & Distilleries Limited, has an option to contract approximately 5,000,000 hectares of land in India, suitable for cultivation of Jatropha trees. The land is to be made available by Mohan Breweries & Distilleries Limited during the next five years. Crude vegetable oil, produced from seeds and plantations in these regions, will then either be refined locally into biodiesel by the Company or exported for refining by third parties. Further details of the agreements are set out in paragraph 9 of Part IV of this document.

The tonnage of feedstock produced from the contracted land, and the corresponding price paid by the Group, will be generally fixed with the contractors for a period of at least five years (subject, in most instances, to US inflation-linked reviews) and, in key instances, ten to fifteen years.

Additionally, it is the Group's intention in certain operational regions, as part of its longer term strategy, to introduce energy crops using inter-cropping techniques with existing cash crops, such as coconut.

Research and development

The Group is committed to achieving quality control and security of supply. The Group intends to source and supply high quality Jatropha planting seeds and seedlings, to be sown on the contracted land. The Group maintains an on-going research and development programme which will initially concentrate on testing seed tissue cultures to determine in which regions they are most suitable for growing. D1 Oils Trading has entered into an agreement with an Indian research facility for the incremental delivery of up to 50 tonnes of pre-sorted and selected Jatropha seeds (at a cost of 100 Indian Rupees per kilogramme) and, additionally, the testing of up to 25,000 seedlings developed from a tissue culture process (at a cost of 18 Indian Rupees per seedling). The characteristics of these seeds and seedlings include higher disease resistance, adaptability to various climatic and soil conditions and lower gestation periods, resulting in increased yields and higher oil extraction values.

Additionally, D1 Oils Trading has acquired the rights to a proprietary growing media (fertiliser and soil mix) which the Directors intend to target to the specific nutritional requirements of Jatropha. The Group intends to outsource manufacture of this growing media by licensing production to third party, regional manufacturers and, thereafter, to distribute it to each of the Group's planned Jatropha plantations.

Experienced senior staff

The Group has engaged an experienced group of individuals, from a variety of industry sectors, to assist in the execution of the Group's strategy. Further details of the consultancy panel and senior management is contained in paragraph 5 of Part 1 of this document.

Modular refining technology

The *D1 20* refinery, is designed to produce up to approximately 8 million litres of biodiesel per annum, equivalent to approximately 22,000 litres per day. The Directors' believe that the *D1 20* is the first economic, small scale, compact, portable biodiesel refinery that is continuous process with minimal utility supply.

During the course of 2005, the Group intends to commence production of three *D1 20* biodiesel refineries for leasing or purchase, on an arms length basis, to each of its regional operations in exchange for a royalty based on net biodiesel sales. The Directors intend to have all of these refineries fully commissioned during 2005 and believe that the modular nature of this refinery allows regions to quickly expand their refining capacity. The latest specification of the *D1 20* is currently subject to commissioning and review (which is being independently audited and is scheduled to be completed during the first quarter of 2005), prior to commercial operation and formal production.

Competition

Large scale biodiesel production refineries in Europe currently account for approximately 75 per cent. of total European production capacity. However current biodiesel production levels are substantially below overall capacity in the EU. The European Biodiesel Board, an industry, non-profit association, has stated that European biodiesel production for 2003 was 1.4 million tonnes, compared with forecast production capacity for 2004 estimated at approximately 2.2 million tonnes per annum.

The Directors believe that a steady increase of biodiesel production capacity will offer an increased opportunity for the Group to market and sell its surplus crude *Jatropha* oil into the EU. The Directors believe that several additional new feedstock sources will be needed to address both the growing production capacity gap and the EU biofuels directive targets.

So far as the Directors are aware, D1 Oils is the only company which is focused on global commercial production of *Jatropha* as a feedstock for biodiesel. The Directors anticipate that other producers will consider using *Jatropha* as a biodiesel feedstock and consider that there will be ongoing competition from existing biodiesel feedstocks.

Currently, the Directors consider that the closest competitor to the Group's refining technology is the Austrian company, BDT Biodiesel Technologies. This company produces small scale biodiesel refineries but the Directors do not believe that it is in the feedstock supply business nor is it focused on selling its refineries outside of the EU market.

Social and ethical responsibility

D1 Oils is committed to contributing to the reduction of global reliance on non-renewable energy sources which are contributing to global warming through the emission of greenhouse gases. D1 Oils intends to conduct its agro-forestry in a sustainable manner, with the aim of ensuring that the benefits of producing vegetable oil (for refining into biodiesel) do not come at the cost of destruction of the environment, the misuse of water and other natural resources or the loss of biodiversity.

Following Admission, the Directors intend to establish a foundation, the purpose of which will be to engage isolated, rural communities in developing countries by promoting the commercial production of biodiesel feedstock. The aims of the foundation will be to strengthen local agricultural communities (by the creation of local employment and encouraging rural self-sufficiency) and to establish appropriate energy infrastructure and projects. The intention is that the identified projects will, in due course, become self-supporting and funding.

3. Target markets and operations

Africa

D1 Oils South Africa has entered into a number of commercial arrangements to further its business activities and increase its regional presence and recognition. Petrosaf, a fuel distribution company, has taken a 10 per cent. stake in D1 Oils South Africa in exchange for a 5 per cent. equity stake in itself.

D1 Oils Trading has entered into contract farming agreements (for a minimum 10 year period) to cultivate *Jatropha* as a commercial energy crop and supply the harvested seeds to D1 Oils South Africa. Two pilot programs have been established, with each of Biodiesel 1 Ghana Limited and Bio Diesel Corporation B.F. Limited, who will generally be providing environmental testing and plantation support. These pilot programs total 22,000 hectares and are located in Ghana and Burkina Faso. If the 10,000 hectare pilot program in Burkina Faso is successful D1 Oils Trading will have the option to extend planting of *Jatropha* trees over further land of up to 990,000 hectares. Further details of the agreements are set out in paragraph 9 of Part IV of this document.

The Group plans to locate one *D1 20* refinery at the Port of Durban and commence domestic production of biodiesel during 2005. The Group has secured a crude vegetable oil supply contract from Ghana Bio Energy Company Limited for the delivery of 8,000 tonnes per annum (for a period of 10 years) from the last quarter of 2004. In addition, the Group has entered into a similar arrangement with Biodiesel-1 Ghana Limited (“Biodiesel-1”), pursuant to which the Group will provide the seeds and Biodiesel-1 will refine these into *Jatropha* oil (8,000 tonnes per annum for a period of 10 years).

The Group is currently negotiating to secure the sale of the entire output (for at least the next 5 years) with third parties, both for local domestic consumption and for export.

India

The Planning Commission of the Indian Government has been charged with the task of implementing the Biofuels Development Committee’s July 2003 Report. In this Report, a National Mission on Biodiesel has been recommended under which a demonstration project involving the planting of *Jatropha* over 4 hundred thousand hectares is proposed to be undertaken at a total project cost of over \$300 million.

D1 Oils Trading has entered into a joint venture agreement with Mohan Breweries & Distilleries Limited. These parties have formed a joint venture company, D1 Mohan Bio Oils Limited, which will operate and control future projects in the region and has an option to contract approximately 5,000,000 hectares of land in India, suitable for cultivation of *Jatropha* trees. The land is to be made available by Mohan Breweries & Distilleries Limited during the next five years. A pilot scheme over approximately 5,000 hectares has been established by D1 Mohan Bio Oils Limited (“D1 Mohan”) and planting is anticipated to be completed during early 2005. The Directors intend that the harvested seeds will be supplied to D1 Mohan. Following a pilot *Jatropha* project over 50 acres of land, The Coimbatore District Co-operative Milk Producer’s Union Limited has entered into a non-binding heads of agreement with D1 Oils Trading, pursuant to which the parties propose to establish a joint venture (or similar association) to plant 4,000 hectares of land with *Jatropha* seedlings (to be sourced from D1 Oils Trading) for biodiesel production. Further details of these agreements are set out in paragraph 9 of Part IV of this document.

The Group plans to locate one *D1 20* refinery at the Port of Chennai, India and commence domestic production of biodiesel during 2005, pursuant to a license between D1 Oils Trading and D1 Mohan. The Group has secured a crude vegetable oil supply contract from Agni Nets for the delivery of 8,000 tonnes per annum (for a period of 10 years) from the last quarter of 2005. The Group is currently in negotiations for the sale and distribution, for domestic use, of its entire annual biodiesel output.

Asia Pacific

D1 Oils Trading is developing relationships with various government agencies in The Philippines to promote the cultivation of energy crops and production of domestic biodiesel. In addition, to complement the Group’s existing seed production programme, a number of *Jatropha* nurseries have been established by third parties in a variety of regional locations, testing imported seeds against indigenous varieties, to determine which will grow and be supported best under the region’s climate conditions.

D1 Oils Asia Pacific will oversee and manage the Group’s coconut oil research and development activities. Biodiesel produced from coconut oil creates lower levels of nitrous oxide emissions than petroleum diesel.

D1 Oils Trading has entered into a memorandum of understanding with the Mindanao Cultural and Economic Development Foundation, Inc., pursuant to which the parties have agreed to co-operate to establish a biodiesel operation in Mindanao. D1 Oils Trading has also entered into a memorandum of understanding with The Philippine Association of Agriculturists, in terms of which the parties have agreed to undertake a joint assessment study (with D1 Oils Trading providing technical support) of the viability and sustainability of a biodiesel project in The Philippines. Furthermore, D1 Oils Trading has entered into a memorandum of understanding with The Philippines Coconut Authority, pursuant to which the parties have agreed to jointly organise and implement a coconut methyl ester (“CME”) processing and production project that will be piloted in the Bondoc Peninsula, Quezon, to test the viability and sustainability of D1 Oils’ technology for CME production. The PCA is currently making preparations to make available to D1 Oils Trading 10,000 hectares of land.

D1 Oils Asia Pacific Inc. is the sole private sector member of the Biofuel Feedstock Project established by the Philippine Council for Industry and Energy Research and Development, of the Department of Science and Technology. The Project has been established to study the potentials of certain crops (including *Jatropha*) as

feedstock for biofuel production. D1 Oils Asia Pacific is to provide a variety of resources for biofuel development, by-products and applications.

The company plans to locate one *D1 20* refinery at the Port of Subic Bay, The Philippines and commence domestic production of biodiesel during 2005. The company is also in negotiations to finance the expansion of *Jatropha* cultivation with existing coconut plantations throughout the South East Asian community and establish centralised refining operations for the production of B100 for sale and distribution as a B5 blend.

Europe

D1 (UK), a wholly-owned subsidiary registered in England and Wales, is responsible for:

- managing access to existing and excess refining capacity in both the UK and continental Europe;
- overseeing and managing the Group's fuel research and development activities and its corresponding relationships with strategic, third party scientific laboratories and research institutes;
- operating the *D1 20* refinery in the UK. Any biodiesel produced will be to EN 14214 standard and be sold to third parties for distribution; and
- managing the development and production process in respect of three *D1 20* refineries already planned.

4. Technical background

Jatropha

Biodiesel refined from *Jatropha* oil complies with the current EN 14214 standard. Biodiesel meeting this standard is an approved blend when mixed with mineral diesel. The *Jatropha* tree has been selected as the Group's primary energy crop due to the following characteristics:

- *high productivity*

The Group's anticipated planting density is approximately 2,200 *Jatropha* trees per hectare and its projections have been modelled on a ten per cent gestation failure and an average yield of approximately 3.5 kg of *Jatropha* seeds per annum for each tree. However, the Directors have observed stronger yields of approximately 6.5 kg per tree per annum in areas of higher rainfall.

The Directors believe that each hectare of *Jatropha* planted should produce an anticipated yield of approximately 6.9 tonnes of seeds per annum (allowing for gestation failure and losses). On the basis of the Board's projections, these seeds should then be produced into approximately 2.7 tonnes of *Jatropha* oil. The Directors have assumed that each tonne of *Jatropha* oil is capable of producing approximately 1,100 litres of biodiesel (correspondingly, each hectare is capable of producing nearly 3,000 litres of biodiesel per annum). The average spot market price for biodiesel in the EU (as a B100 blend) has been approximately €926 per tonne over the past 4 months.

- *durability*

Jatropha trees can be grown on marginalised land and are durable to the elements. Furthermore, it requires only c.300 mm of annual rainfall, although it grows better in areas of higher annual rainfall.

- *longevity*

Jatropha trees generally have their first harvest within 2 years of planting and are productive for, on average, at least 30 years.

Biodiesel production process

The process by which the *D1 20* refines the *Jatropha* oil into biodiesel essentially involves the input of crude *Jatropha* oil which is then esterified, with methanol and a catalyst of sodium hydroxide, to produce biodiesel and crude glycerol in approximately a 10:1 ratio. The resulting biodiesel meets EN14214 standard, the European standard which specifies the requirements and test methods for biodiesel. *Jatropha* oil reacts to the esterification process, leaving crude glycerol as a by-product. There is already an established commercial market for crude glycerol. In order to maximise its returns from the overall enterprise, the Group currently intends to sell the crude glycerol to third parties.

5. Directors, consultancy panel and senior management

The biographical details of the Directors are set out below:

Karl Eric Watkin MBE, aged 48 (Chairman)

Mr Watkin has over 25 years' international business experience. He was the Founder and Chairman of the World Can Making Machinery Manufacturers Association and he led the turnaround and flotation of Crabtree, a global supplier of capital equipment to the can-making industry. Karl created and floated the UK's first B2B Exchange, J2C PLC. Voted UK Export Manager of the Year in 1985 and North East Businessman of the Year in 1992, he was awarded an MBE for services to UK exports in 1993. Karl also led the Manufacturing Challenge and has contributed to UK Government white papers on competitiveness.

Philip Kenneth Wood, aged 49 (Chief Executive Officer)

Philip Wood is a qualified Chartered Accountant with a First Class Degree in Physics from Oxford University. Mr Wood enjoyed a fourteen year career at Reuters, joining as a Group Financial Controller, Director of Treasury and leading a global team as the Managing Director for Business Development before leaving to join D1 Oils. Prior to joining Reuters he spent fourteen years at Price Waterhouse where he was promoted to the partnership in 1988 at the age of 33. Mr Wood is a director of TIBCO Software Inc, a US based supplier of software with a market capitalisation of \$1.8 billion, where he chairs the Audit Committee. He was formerly a director of Instinet Corporation, a global equities broker and electronic marketplace headquartered in New York and of ITN (Independent Television News). He was a member of the Schools Examination and Assessment Council, a government quango, from 1992 to 1994.

William Peter Campbell, aged 48 (Chief Operations Officer)

Until recently, Peter Campbell held the position of Managing Director of Methanex Europe where he was responsible for importing and marketing more than 2 million tonnes of chemicals per annum and responsible for sales of \$400 million to 80 customers throughout Europe. From 1989 to 2000, Peter held several positions within ICI Petrochemicals including Commercial Director where he was responsible for \$100 million of sales representing 500,000 tonnes of product throughout Europe. He also previously held senior positions with Marathon Oils and Phillips Petroleum.

Mark Lockhart Muir Quinn, aged 44 (Founder Director)

Mark Quinn began his career in the United States owning and managing a retail trading exchange (servicing over 2,500 domestic and international clients) and other service oriented entities. From 1993 until 1998, he served as President and Director of Global Trade Group, an authorised IBM Business Partner and Sales Affiliate, set up to promote trade based marketing strategies for IBM's existing client base. He was the primary developer of the ORBIT® System, an Internet based, e-commerce application utilized in the management, control and trading of corporate capital assets. Mark was a Founder of AssetTRADE.com (a joint venture with Internet Capital Group, Henry Butcher International and Michael Fox International) and GlobalPowerAssets.com.

Alec David Worrall, aged 54 (Chief Finance Officer)

Mr Worrall has been a professional accountant and senior industrial manager for over thirty years. After gaining his accountancy qualifications, Alex spent three years with Ford at its European Headquarters and then moved to ICI working on mergers and acquisitions. He joined Tallent Engineering in 1979 in a strategic role that saw its turnover grow from £1 million to over £100 million per annum. In 2003, Alex left Tallent Engineering after more than 20 years as Finance Director and took over the role of Chairman of ThyssenKrupp UK Plc which is the holding company of 52 UK subsidiary companies including Tallent. ThyssenKrupp UK Plc has a total annual turnover of £1.2 billion and some 9,200 employees.

John Barclay Forrest OBE, aged 63 (Non-executive Director)

Barclay Forrest is a British farmer and developer of one of the UK's first drying, storage and haulage businesses for barley, wheat and rapeseed. He is a Vice President of the China Britain Business Council and is a past chairman of British Cereal Exports. Barclay is a past chairman of the Oxford Farming Conference and the present Vice Chairman of the Farmers Club actively promoting UK farm trade and services abroad.

Dr Clive Neil Morton OBE, aged 61 (Non-executive Director)

Dr Clive Morton has a twenty year record of achievement in revitalising public and private organisations. He holds a Phd in Industrial Relations from London School of Economics and is the founder of the Morton Partnership, specialists in organisational transformation. He is also Managing Director of Board Performance Limited, Chairman of Peterborough Hospitals NHS Trust and a visiting professor at three British Universities. Clive is the former Chairman of Whitwell Learning and Chairman of the Association of Management, Education & Development. He has also recently been a non-executive director of Hartlepool Water Plc., a non-executive Director of the London Underground PPP and is a member of the DTI Partnership Panel. Previously, he held the position of Business Development Director at Anglian Water Plc and the Personnel Director at each of Northern Electric Plc, Rolls Royce Industrial Power Group, Anglian Water Services and Komatsu UK Ltd.

Peter John Davidson FREng, aged 50 (Non-executive Director)

Peter Davidson is a chartered chemical engineer, with wide experience in chemical plant technology, design, commissioning, operations and research and development. He has been the Process Engineering Manager of ICI Engineering and has managed the Research and Development of a number of ICI businesses including Katalco, Tioxide and Quest Foods, and been a long established member of the ICI Technology Board. He is a Fellow of the Royal Academy of Engineering, and a Fellow of the Institution of Chemical Engineers.

Further information on the Directors is set out in paragraph 6 of Part IV of this document.

Consultancy Panel

The members of the Consultancy Panel have agreed to provide certain consultancy services to the Group, on an ad hoc basis, to assist the Group in the development of its global operations.

Sir Donald Curry KB CBE

Donald Curry chaired the Policy Commission on the Future of Farming and Food which reported to Government in January 2002. Donald is Chairman of the NFU Mutual Insurance Company and is a serving Crown Estate Commissioner. He was awarded a CBE for his services to Agriculture in the 1997 New Year's Honours list and a Knighthood in the Birthday Honours in 2001. He was a founder and chairman of 'At Home in the Community', a charity providing care in the North East for people with learning disabilities. In December 2000 he was the first recipient of The Royal Smithfield Club's Bicentenary Trophy awarded for his major contribution to the British meat industry and in June 2004 he was awarded The Royal Agricultural Society's National Agricultural Award.

Joseph Mollo

Joseph Mollo is currently the Vice President of Public Policy at BHP Billiton. He was educated in South Africa and Canada and has decades of experience in government. Joseph has held numerous ambassadorial positions for the Lesotho Government throughout Europe and held the position of Trade Representative and his decade with the Ministry of Finance included work with the IMF and World Bank.

Lance Browne CBE

Lance Browne is Chairman of Standard Chartered Bank in China where he began his career in 1979 in engineering and finance. Past appointments in China include Chairman of the British Chambers in both Shanghai and Beijing, Chief Representative of the 48 Group and Chairman of the Foreign Bankers Association. He was made an Honorary Citizen of Shanghai and was appointed CBE for his outstanding work and accomplishments in China. Lance speaks fluent Chinese.

Rémi Burdairon

Rémi Burdairon has been the Managing Director of Louis Dreyfus Africa in Johannesburg, since 1998. Born in Senegal, Rémi Burdairon has spent more than 12 years in Africa. He is a member of the South African executive board of French Foreign Trade Advisor (CCEF) for the French authorities. He is a member of the Executive Committee of SACOTA, (South African Cereals & Oilseeds Trade Association) as well as member of SAFEX (South African Futures Exchange) Agricultural Products Division Advisory Committee. The Louis Dreyfus Group is one of the major international trading companies, actively involved in agricultural commodities, energy markets, shipping and telecommunications. Louis Dreyfus Africa (Pty) Ltd is a market leader in Southern and Eastern Africa, specialising in trading, merchandising, distributing, importing and exporting of agricultural commodities.

Senior management and operational team

Bill Bates (Managing Director, D1 (UK))

Bill Bates is an experienced chartered mechanical engineer with a track record of business start-ups and the development of major investments. After twelve years at Kodak, he moved to Monsanto Chemicals to manage the installation and commissioning of a 450,000 tonne per year chemical plant. Following career advancement in the USA, he returned to the UK to establish a polyethylene duct manufacturing plant. He was the founding director of Comcast Limited, a major telephone and cable TV network, later integrated into the NTL Group.

Adam Leslie Simcock (Chief Executive Officer, D1 Oils Africa)

Adam Simcock first arrived in South Africa as Managing Director of Thermasteel, a building system, and has been instrumental in identifying business opportunities within the 'offset' and 'National Industrial Participation' programs with Africa. Adam has negotiated multimillion pound investments into Johannesburg Stock Exchange listed companies and was behind the obtaining of a 'AAA' rating from Fitch for a low-income housing loan scheme.

Jacqueline Williams (Chairperson, D1 Oils South Africa)

Jacqueline Williams brings a broad spectrum of experience in leadership and management to D1 Oils South Africa. She has lived, studied and worked in the US, Europe as well as South Africa, and has experience in the empowerment of women and diversity management. Ms. Williams is a director of William & Calmer, Johannesburg based management consultants as well as a leader in the Anglican Church in South Africa.

Demetrious Pappadopoulos (Chief Executive Officer, D1 Oils South Africa)

Demetrious Pappadopoulos was born in Zimbabwe in 1970, was educated at the University of Cape Town where he achieved degrees in economics and law. He was appointed Group Legal Advisor and company secretary to Steers in 1997 and was the youngest board director. Steers are South Africa's largest franchise company in the fast food industry. Since his departure from Steers in 2002, Demetrious has established over 70 businesses in Africa, ranging from fast food outlets and bakeries to industrial chemical companies.

Sarju Singh (Managing Director, D1 India)

Sarju Singh is the former Chairman of Hindustan Paper Corp., one of India's largest paper companies. With a MS in Civil Engineering, Mr. Singh has carried out large scale projects throughout India including water supply and treatment plants, and river valley, harbour development and other environmental projects. He is the recipient of numerous national awards for excellence and is an active member of planning and advisory committees for the United Nations amongst other global organisations.

Dr Ganapathy Arumugam (Science Director, D1 India)

Dr. Arumugam holds a Phd in Biotechnology and Medicinal Plants, an MSc in Agri Plantations and further expertise in cultivation techniques including tissue cultures, biofertiliser and biocontrol agents. Ganapathy has developed high yield, high quality and disease resistant strains of spices, sugarcane and other crops. He is presently a director of Green World Biotech and previously held a senior executive role at Ramco Biotech.

Miguel Patolot (Chairman, D1 Oils Asia Pacific)

Miguel Patolot is an internationally acknowledged expert throughout the South East Asia in offset financing and countertrade. Mr. Patolot was appointed by the Philippine government to the post of Vice President of Countertrade for the Philippine International Trading Corporation. Successfully negotiating over \$426 million of international countertrade agreements and organised debt swap agreements, his work helped to liquidate outstanding Philippine debt with Romania, China and Iraq. He co-authored the charter of Association of South East Asian Nations Chamber of Commerce and Industry and was elected to the roster of experts of the United Nations conference on Trade and Development.

Employees

The Group presently has a total of 15 employees, excluding the Directors and the members of the Consultancy Panel. 5 are based in the UK, 5 in South Africa, 3 in Asia Pacific and 2 in India.

Environment and health and safety

The environmental and health and safety policy of the Group will comply with relevant legislation and regulations aimed to protect the environment and the health and safety of its employees, which are contained within the laws, regulations and policies in different jurisdictions around the world where the Group operates. The overall objective of the Company in relation to Environment and Health and Safety is to oversee the development and implementation of policies and best practices of the Company relating to environmental and health and safety issues in order to ensure compliance with applicable laws. The Group will ensure that it has all the necessary licences and approvals from custom and excise, environmental agencies, local authorities or health and safety executives to operate its plants at the required locations.

6. Financial information

The financial information on the Group is set out in the Accountants' Report which is contained in Part III of this document.

7. Reasons for the Placing and use of proceeds

The Directors consider that Admission will enhance the Group's standing within its market place and assist the growth in its business. The Directors believe that Admission will also provide opportunities for Group employees to participate in the future success of the Group through the use of share options and should help attract and retain high calibre staff.

The Directors intend to apply the net proceeds of the Placing to fund the Group's growing, on-going working capital requirement principally to enable it to further finance and develop its business strategy, including:

- the funding of planting seeds, which it is anticipated will cost, on average, approximately £90 per hectare;
- financing the capital expenditure relating to the manufacture and installation of an initial roll-out of 3 additional *DI 20* refineries; and
- up to £1 million to finance the acquisition of the intellectual property and know how in the *DI 20* refinery and commission it.

8. Current trading and prospects

The Group's operations to date have comprised the necessary initial expenditure in securing sources of planting seeds, plantation acreage and option rights and development expenditure incurred in bringing the *DI 20* to fruition.

As previously stated, the Group intends that 3 new *DI 20* refineries will be commissioned and installed. The Group has secured sufficient initial feedstock to satisfy the budgeted production capacity of the refineries, being approximately 8 million litres of biodiesel each per annum. As the *Jatropha* plantations are planted and mature, the Group will refine and/or sell the output, as appropriate. Concurrently with this, the Directors intend that the Group will invest in increased operational infrastructure appropriate to its ongoing growth. The Directors believe that the current geopolitical climate and the demand for fuels which satisfy an environmentally "*friendly*" requirement present the Group with a significant opportunity for growth.

The Directors believe that the Group has good growth potential and a clear business strategy and that a solid platform for growth has been achieved. The funds available from the Placing will enable the Group to continue to develop existing relationships and take advantage of new opportunities as they arise.

9. Dividends and policy

The declaration of any payment by the Company of any future dividends on the Ordinary Shares and the amount will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. However, in view of the Group's early stage of development, the Directors do not envisage that the Company will pay dividends in the foreseeable future.

10. Details of the Placing and Admission

8,125,000 Ordinary Shares are being placed, representing 37.8 per cent. of the enlarged issued ordinary share capital of the Company following the Placing. This does not include any Ordinary Shares reserved for the exercise of options to subscribe for Ordinary Shares described in paragraph 7 of Part IV of this document. At the Placing Price, the Placing will raise approximately £11.6 million (net of expenses).

In addition, in satisfaction of a debt of £1,288,582 due to be paid by the Company, certain of the Directors have agreed to accept 805,364 new Ordinary Shares at the Placing Price.

Bell Lawrie White has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission to use its reasonable endeavours to place the Placing Shares with institutional and other investors. The Placing is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 29 October 2004, or such later date as Bell Lawrie White and the Company may agree, being not later than 12 November 2004.

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and dealings in the Ordinary Shares are expected to commence on 29 October 2004. No temporary documents of title will be issued. All documents sent by or to a placee, or at his discretion, will be sent through the post at the placee's risk. Pending despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company. The Placing Shares will be placed free of expenses and will rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared paid or made after the date of issue.

Further details of the Placing Agreement are set out in paragraph 9 of Part IV of this document.

11. Lock-ins and orderly market arrangements

Each of the Directors and certain other shareholders have undertaken to the Company and Bell Lawrie White not to dispose of the Ordinary Shares held by each of them and their connected parties immediately prior to Admission at any time prior to the date falling twelve months from the date of Admission and then for the next six months after the first anniversary of Admission (subject to certain limited exceptions including transfers to family members or to trustees for their benefit and disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) without the prior written consent of Bell Lawrie White (the "Lock-in Period"). They have further undertaken to the Company and to Bell Lawrie White that following the end of the Lock-in Period they will only dispose of Ordinary Shares held by them or their connected persons through Bell Lawrie White (or such other company as may be broker to the Company at that time) although Bell Lawrie White may refuse to permit a transfer of Ordinary Shares if it would disrupt the orderly marketing of the Company's Ordinary Shares.

Those Directors and their connected parties who have acquired Ordinary Shares at the Placing Price pursuant to the satisfaction of a debt due to be paid by the Company as described in paragraph 10 above, have entered into orderly marketing arrangements with Bell Lawrie White in relation to the disposal of such Ordinary Shares.

Certain other shareholders have entered into orderly marketing arrangements with Bell Lawrie White.

Further details of these lock-in arrangements are contained in paragraph 10 of Part IV of this document.

12. Corporate governance

The Directors intend, in so far as practicable, given the Company's size and the constitution of the Board, to comply with the provisions of the Principles of Good Governance and Code of Best Practice (the "Combined Code") applicable to companies which are listed on the Official List of the United Kingdom Listing Authority.

The Directors have established a remuneration committee, nomination committee and an audit committee. The remuneration committee, consisting of Barclay Forrest (Chairman), Peter Davidson and Clive Morton, will determine the terms and conditions of service of (including the remuneration and grant of options to) executive directors. The nomination committee consisting of Clive Morton (Chairman), Barclay Forrest

and Peter Davidson has been established to ensure that the Board has a formal and transparent appointment procedure and has primary responsibility for reviewing the balance and effectiveness of the Board and identifying the skills needed on the Board and those individuals who might best provide them. The audit committee, consisting of Peter Davidson (Chairman), Clive Morton and Barclay Forrest, has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls.

The Directors intend to comply with Rule 19 of the AIM Rules relating to Directors' and applicable employees' dealings in the Company's securities and to this end the Company has adopted an appropriate share dealing code.

13. Share options

The Directors believe that the success of the Group will depend to a high degree on the future performance of the management team. The Directors also recognise the importance of ensuring that employees are well motivated and identify closely with the success of the Group.

The Company has adopted the D1 Oils plc Share Option Plan (the "Plan"), further details of which are set out in paragraph 7 of Part IV of this document. At the date of this document, the Company has granted options over 976,558 Ordinary Shares in aggregate pursuant to the Plan, at an exercise price of £1.28 per Ordinary Share.

14. Taxation

Information regarding taxation in relation to the Placing and Admission is set out in paragraph 14 of Part IV of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

15. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes.

16. Further information

Your attention is drawn to the additional information set out in Parts II to IV of this document.

PART II

RISK FACTORS

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. This Part II contains what the Directors believe to be the principal risk factors associated with an investment in the Company. It should be noted that this list is not exhaustive and that other risk factors will apply to an investment in the Company. If any of the following risks actually occur, the Group's business, financial condition and/or results of future operations could be materially adversely affected. In such circumstances, the value of the Company's shares could decline and an investor may lose all or part of his investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Group. This document contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group which are described below and elsewhere in this document. Prospective investors should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Company.

Unforeseen factors and developments

The Group's ability to implement its business strategy may be adversely affected by factors that the Group cannot currently foresee, such as unanticipated costs and expenses, interruptions to or delays in production, reduced demand for the Group's product, technological change, loss of political support for biodiesel or severe economic downturn. All of these factors may necessitate changes to the business strategy described in this document.

Competition

There can be no assurance that potential competitors of the Group, which may have greater financial, research and development, sales and marketing and personnel resources than the Group, are not currently developing, or will not in the future develop, products and processes that are equally or more effective and/or economical as the product developed by the Group or which would otherwise render the Group's product obsolete. The Group may be forced to change the nature of its business as a result of competitive factors.

Given the potential for biofuels globally, it is anticipated that the market will become increasingly competitive over the coming decade. Additionally, several other biofuels and renewable fuels could be introduced to the market as alternatives to mineral diesel. Should these alternatives be selected in the market the demand for biodiesel could be diluted.

Dependence on key personnel

The Group believes that its future success will greatly depend upon the expertise and continued services of certain key executives and technical personnel, including the executive Directors. The Group cannot guarantee the retention of such key executives and technical personnel. As a result, the Group's business, its results of operations and financial condition may be adversely affected.

Securities traded on AIM

The Ordinary Shares will be traded on AIM rather than the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment. Admission to AIM should not be taken as implying that there is a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.

The price at which investors may dispose of their shares in the Company may be influenced by a number of factors some of which may pertain to the Company and others of which are extraneous. Investors may realise less than the original amount invested.

Suitability

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any investment decision.

Price volatility and liquidity

The trading prices of the Company's Ordinary Shares may fluctuate. The Ordinary Share price may fluctuate as a result of a variety of factors, including the operating and share price performance of other companies in the industries and markets in which the Company operates; speculation about the Company's business in the press, media or the investment community; changes to the Company's sales or profit estimates; the publication of research reports by analysts; and general market conditions. Investors may not be able to recover their original investment, especially since there may be a limited market for the loan stock, and marketmakers may not publish competing prices.

Economic and market cycles

The Group's business may be affected by the general risks associated with all companies in the energy industry. The prices received for the Group's goods and products depend on numerous factors, many of which are beyond its control and the exact effect of which cannot be accurately predicted. Such factors include general economic and political activities, including the extent of governmental regulation and taxation.

An investment could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors, whether under English Law or in any other jurisdictions in which the Group may operate now or in the future. In the Company's case, this may include the regions of origin of its raw materials such as Southern Africa, Northern Africa, Philippines and India where such risks are likely to be significant.

The Directors consider that uncertainty surrounding economies worldwide may continue in the short to medium term, and this could affect the Group's financial performance. Though currently stable, political instability in several of the regions in which the Group operates is not uncommon and should this occur, could affect the Group's operations in certain regions.

Industry conditions

The Group faces a number of industrial risks such as a dispute with its workforce and dependence on key suppliers, both of which may lead to a deterioration in financial performance.

Intellectual property and know how

The Group may be open to claims in relation to infringement of intellectual property ("IP") rights. This could lead to long and protracted litigation to protect the Group's position. This process itself would divert resources away from the Group's business. Any adverse judgments against the Group could lead to substantial fees, fines and the inability to manufacture, market or sell any infringing products. This would lead to substantial losses for the company involved and, further, to the Group as a whole.

The Group can also incur costs in protecting its IP rights. However, there is no guarantee that protection will be granted, for example through registration. Even if protection is granted, the Group may suffer an infringement of its IP rights. This would lead to costs in order to protect its rights and, as a result may lead to loss for the Group. Notwithstanding the problems surrounding the Group's IP rights, it may be that competitors of the Group may produce similar products without involving an infringement of the Group's IP rights. The Group could suffer loss without possibly having any remedy.

Market demand and acceptance

Whilst the Directors believe that there continue to be viable markets for the Group's products there can be no assurance that the Group's products will prove to be more successful than competing products now or in the future. If the Group's products do not gain further market acceptance, further expenditure on marketing and development may be required to make them commercially viable.

The increased demand for biodiesel in the market is largely created by global policies mandating biodiesel blends as a part of a government's energy strategy. There is a risk these governments do not enforce its recommended targets, or a risk that government commitment to their strategy is short term as opposed to long term.

Level of orders

There can be no guarantee that orders will be received for the Group's products in the anticipated volumes or within the timescales currently envisaged by the Directors. The placing of orders for the Group's products could be materially delayed by circumstances such as customer evaluations or integration of the Group's products taking longer than anticipated.

The Company must also ensure that production capacity is at all times sufficient to match the level of orders. Failure to do so could lead to the financial impact of inefficient production, missed sales opportunities and late delivery to customers

Risks associated with international sales

The Group intends to continue to expand internationally and therefore its results could be affected significantly by currency fluctuations (see below). Other risks from international business activities include complying with regulatory requirements and standards, tariffs and other trade barriers, reliance on third parties to distribute products and potentially adverse tax consequences.

Operational risks

The financial performance of the Company is at all times subject to operational risks. For example, the technology could face unforeseen refining problems, in which case production and financial performance would be delayed. Unanticipated additional maintenance of the machine would also impact the production capacity and revenue projections. Storage tanks should be fully sealed at all times in order to ensure quality biodiesel and to minimise moisture being added to the fuel. The risk of contamination of the pure vegetable oil or biodiesel exists from transportation, expelling, storage and refining should the proper quality procedures and handling guidelines not be adhered. Transportation of crude Jatropha oil from the regions in which the Group operates could be subject to unforeseen delay.

Raw materials

The principal raw material of the Company's business is Jatropha seeds and pure Jatropha oil. The financial performance of the Company may therefore be affected by fluctuations in the market price of Jatropha seeds and pure Jatropha oil and, in particular, a reduction in the price of Jatropha seeds and oil may lead to a diminution in the value of stocks held.

The Company is also at risk of the contamination of its raw materials supplies at source which may lead to stock write downs and an inability to supply customers. The Company attempts to safeguard against this risk by checking materials prior to purchase and dispatch and on receipt at the relevant processing facility.

Agricultural risks

The Group's business may be affected by all general risks associated with agricultural production. The risk of fire, drought, or other extreme weather is a factor for all crops and would result in lower crops yields than projected. Theft is also a concern in certain regions, should trees be deemed valuable as another commodity in those regions.

Interest rate risk

The Company's borrowing costs in respect of its floating rate borrowings may increase as a result of rising interest rates, although the Directors believe the economic effect of interest fluctuations on the Company's financial performance to be small due to the absolute amounts of such borrowings being relatively small.

Currency exchange rate fluctuations

The Company conducts much of its business overseas in currencies other than pound sterling and as such its financial performance is subject to the effects of fluctuations in foreign exchange rates, in particular the rate of exchange between the US dollar and pound sterling.

A sustained depreciation in the US dollar against pound sterling may however affect the sterling value of margins achieved in the overseas businesses and the competitiveness of the Company's operations in the UK vis a vis other parts of the world.

Future Funding

The Company cannot give any assurance that further equity capital or other funding will not be required. The Directors currently anticipate that further finance may be required in or around September 2006. If required, the Directors cannot be sure that such capital or other funding will be available in the future.

If required funds are not available, the Group may have to reduce expenditure on maintaining, establishment and development of its business which could have a material adverse effect on the Company's business, financial conditions and prospects.

PART III(a)

ACCOUNTANTS' REPORT ON D1 OILS PLC

FINANCIAL INFORMATION ON D1 OILS PLC FOR THE PERIOD ENDED 31 AUGUST 2004

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

The Directors
D1 Oils plc
Concorde House
Concorde Way
Preston Farm Business Park
Stockton on Tees
TS18 3RB

The Directors
Bell Lawrie White
(a division of Brewin Dolphin Securities Ltd)
48 St. Vincent Street
Glasgow
G2 5TS

21 October 2004

Dear Sirs

D1 Oils plc

We report on the financial information of D1 Oils plc set out below. This financial information has been prepared for inclusion in the Admission Document dated 21 October 2004 ("the Admission Document") relating to the AIM Listing of D1 Oils plc ("the Company").

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the non-statutory audited financial statements of D1 Oils plc for the 7 day period ended 31 August 2004 to which no adjustments were considered necessary. D1 Oils plc was incorporated as Pinco 2191 on 24 August 2004 changing its name to D1 plc on 31 August 2004, and to D1 Oils plc on 24 September 2004.

Responsibility

The financial statements are the responsibility of the directors of D1 Oils plc who approved their issue.

The Directors of D1 Oils plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of D1 Oils plc as at the date stated.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45 (8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

BALANCE SHEET

	31 August 2004
Note	£
Current assets	
Unpaid share capital	<u>2</u>
Capital and reserves	
Called up share capital	2 <u>2</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently since incorporation. No profit and loss account or cashflow statement has been presented as the Company did not trade during the period.

Accounting convention

The financial statements have been prepared under the historical cost convention.

2. Called up share capital

	31 August 2004 £
Authorised	
50,000 £1 ordinary shares	50,000
Called up and allotted	
2 £1 ordinary shares	2

On 24 August 2004 the Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two ordinary shares were allotted.

3. Reconciliation of movements in equity shareholders' funds

	31 August 2004 £
Shares issued on incorporation	2
Closing equity shareholders' funds	2

4. Controlling party

The ultimate controlling party at 31 August 2004 was Pinsents, the sole shareholder of the Company at that time.

5. Auditors

The auditors of the non statutory financial statements in the period were Deloitte & Touche LLP, Newcastle upon Tyne.

6. Subsequent events

On 24 September 2004 the name of the Company was changed to D1 Oils plc.

On 14 September 2004, each of the issued and unissued ordinary shares of £1 each were subdivided into 100 ordinary shares of 1 pence each and the authorised share capital was increased to £520,000 by the creation of a further 47,000,000 ordinary shares of 1 pence each.

On 14 September 2004 12,499,800 1 penny shares were issued and the Company acquired the entire issued share capital in D1 Oils Trading Limited in consideration for the D1 Oils Trading Limited shareholders receiving 12,500,000 ordinary shares in D1 Oils plc.

Pursuant to the terms of a loan stock instrument dated 14 September 2004 (as varied by deed of variation dated 15 October 2004), D1 Oils plc issued, in aggregate, £1,288,582 nominal amount of loan stock. The principal sum represented by the stock, shall become repayable immediately upon the happening of certain events, including Admission, whereupon the principal sum outstanding shall be converted into new Ordinary Shares at the Placing Price.

Yours faithfully

Deloitte & Touche LLP

Chartered Accountants
Newcastle upon Tyne

PART III(b)

ACCOUNTANTS' REPORT ON D1 OILS TRADING LIMITED AND ITS SUBSIDIARIES

FINANCIAL INFORMATION ON D1 OILS TRADING LIMITED FOR THE TWO PERIODS ENDED
30 JUNE 2004

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

The Directors
D1 Oils plc
Concorde House
Concorde Way
Preston Farm Business Park
Stockton on Tees
TS18 3RB

The Directors
Bell Lawrie White
(a division of Brewin Dolphin Securities Ltd)
48 St. Vincent Street
Glasgow
G2 5TS

21 October 2004

Dear Sirs

D1 Oils Trading Limited and its subsidiaries ("the D1 Group")

We report on the financial information of the D1 Group set out below. This financial information has been prepared for inclusion in the Admission Document dated 21 October 2004 ("the Admission Document") relating to the AIM Listing of D1 Oils plc ("the Company"), a new company established in August 2004 as the proposed holding company of the D1 Group.

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the statutory audited consolidated financial statements of the D1 Group for the 49 week period ended 31 December 2003, and the non statutory audited consolidated financial statements for the six months ended 30 June 2004 to which no adjustments were considered necessary.

Responsibility

The consolidated financial statements are the responsibility of the directors of D1 Oils Trading Limited who approved their issue.

The Directors of D1 Oils plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of D1 Group as at the dates stated and of its losses for the periods then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45 (1) (b) (iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		49 weeks ended 31 December 2003	6 months ended 30 June 2004
	Note	£	£
Administrative expenses		(704,478)	(913,366)
Operating loss	3	(704,478)	(913,366)
Tax on loss on ordinary activities	4	–	–
Loss for the financial period	13	<u>(704,478)</u>	<u>(913,366)</u>
Loss per ordinary share	19	<u>£704,478.00</u>	<u>£11.68</u>

All activities derive from continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		49 weeks ended 31 December 2003	6 months ended 30 June 2004
	Note	£	£
Loss for the financial period		(704,478)	(913,366)
Currency translation difference on foreign currency net investment		–	(1,884)
Total recognised losses in the period	14	<u>(704,478)</u>	<u>(915,250)</u>

CONSOLIDATED BALANCE SHEET

		31 December 2003	30 June 2004
	Note	£	£
Fixed assets			
Intangible assets	5	–	420,213
Tangible assets	6	1,410	807,056
		<u>1,410</u>	<u>1,227,269</u>
Current assets			
Debtors	7	–	216,882
Cash		2,908	25,624
		<u>2,908</u>	<u>242,506</u>
Creditors: amounts falling due within one year	8	<u>(708,795)</u>	<u>(1,846,284)</u>
Net current liabilities		<u>(705,887)</u>	<u>(1,603,778)</u>
Total assets less current liabilities		<u>(704,477)</u>	<u>(376,509)</u>
Creditors: amounts falling due after more than one year	9	–	(758,816)
Net liabilities		<u>(704,477)</u>	<u>(1,135,325)</u>
Capital and reserves			
Called up share capital	12	1	125,000
Share premium	13	–	359,403
Profit and loss account	13	<u>(704,478)</u>	<u>(1,619,728)</u>
Total equity shareholders' deficit	14	<u>(704,477)</u>	<u>(1,135,325)</u>

CONSOLIDATED CASH FLOWS STATEMENT

		49 weeks ended 31 December 2003	6 months ended 30 June 2004
	Note	£	£
Net cash inflow/(outflow) from operating activities	(A)	4,317	(358,916)
Capital expenditure and financial investment	(B)	(1,410)	(6,437)
Cash inflow/(outflow) before financing		2,907	(365,353)
Financing	(B)	1	388,069
Increase in cash	(C), (D)	2,908	22,716

(A) Reconciliation of Operating Loss to Net Cash Inflow/(Outflow) from Operating Activities

		49 weeks ended 31 December 2003	6 months ended 30 June 2004
		£	£
Operating loss		(704,478)	(913,366)
Depreciation		–	4,234
Increase in debtors		–	(53,890)
Increase in creditors		708,795	604,106
Net cash inflow/(outflow) from operating activities		4,317	(358,916)

(B) Analysis of Cash Flows

		49 weeks ended 31 December 2003	6 months ended 30 June 2004
		£	£
Capital expenditure and financial investment			
Tangible asset additions		(1,410)	(6,437)
Financing			
Prepayment of finance loan		–	(2,984)
Proceeds from share issue		1	391,053
		1	388,069

(C) Reconciliation of Net Cash Flow to Movement in Net Funds/(debt)

	£	49 weeks ended 31 December 2003 £	£	6 months ended 30 June 2004 £
Increase in cash in the period	2,908		22,716	
Repayment of finance loan	–		2,984	
			<u>22,716</u>	
Changes in net debt resulting from cashflows		2,908		25,700
New finance leases		–		(802,742)
Net debt at 1 January		–		2,908
				<u>2,908</u>
Net funds/(debt) at 31 December/30 June		<u>2,908</u>		<u>(774,134)</u>

(D) Analysis of Changes in Net Funds/(debt)

	At 1 January 2004 £	Cash flows £	Other non-cash changes £	At 30 June 2004 £
30 June 2004				
Cash at bank and in hand	2,908	22,716	–	25,624
	<u>2,908</u>	<u>22,716</u>	<u>–</u>	<u>25,624</u>
Finance leases	–	2,984	(802,742)	(799,758)
	<u>–</u>	<u>2,984</u>	<u>(802,742)</u>	<u>(799,758)</u>
	<u>2,908</u>	<u>25,700</u>	<u>(802,742)</u>	<u>(774,134)</u>
	On incorporation £	Cash flows £	Other non-cash changes £	At 31 December 2003 £
31 December 2003				
Cash at bank and in hand	–	2,908	–	2,908
	<u>–</u>	<u>2,908</u>	<u>–</u>	<u>2,908</u>
Finance leases	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>2,908</u>	<u>–</u>	<u>2,908</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently in the current and prior financial period.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to the period end each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life which is 20 years. Provision is made for any impairment.

Intangible assets – intellectual property rights

Intellectual property rights are included at cost and depreciated in equal annual instalments over a period of 3 years and amortisation will commence on trading activities. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write down their cost to the estimated residual values over the extended useful lives of the assets. Depreciation commences once the asset is brought into use. The rates of depreciation are as follows:

Plant and machinery	20% reducing balance
Computer equipment	25% reducing balance
Fixtures and fittings	20% reducing balance

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

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

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 a future date, at rates expected to apply when they crystallise based on current tax rates and the 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.

Leases

Assets held under finance leases are capitalised at the fair value on inception of the leases and depreciated over the shorter of the lease term or their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Foreign currencies

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 are reported in the statement of total recognised gains and losses.

Research and Development

Research and development expenditure is written off as incurred.

2. Information Regarding Directors and Employees

	49 weeks ended 31 December 2003 £	6 months ended 30 June 2004 £
Directors' remuneration		
K Watkins	2,500	1,250
M Quinn	2,500	1,250
A Worrall	208	1,250
D Sonnenberg (resigned 22 June 2004)	–	1,250
	<hr/>	<hr/>
Emoluments	5,208	5,000
	<hr/>	<hr/>

The directors were the only employees in both the current and preceding periods. The only remuneration received was in the form of a salary. Details of other transactions with directors and related parties are disclosed in note 15.

3. Operating Loss

	49 weeks ended 31 December 2003 £	6 months ended 30 June 2004 £
Operating loss is stated after charging:		
Depreciation		
Owned assets	–	749
Held under finance leases and hire purchase contracts	–	3,485
Research and development costs	–	176,088
Auditors' remuneration	5,000	8,000
	<hr/>	<hr/>

4. Tax on Loss on Ordinary Activities

Analysis of tax on ordinary activities:	49 weeks ended 31 December 2003 £	6 months ended 30 June 2004 £
United Kingdom corporation tax at 30% (2003 – 30%) based on the loss for the period	<hr/>	<hr/>

Factors affecting the tax for the period:

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2003 – 30%). The differences are explained below:

	49 weeks ended 31 December 2003 £	6 months ended 30 June 2004 £
Loss on ordinary activities before tax	<hr/> (704,478)	<hr/> (913,366)
Tax at 30% thereon	(211,343)	(274,009)
Expenses not deductible for tax purposes	80,489	115,213
Losses of overseas subsidiary for which not tax relief is available	6,204	24,128
Capital allowances in excess of depreciation	–	206
Losses for which no tax relief available	124,650	134,462
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>

At 30 June 2004 the company had expenditure of approximately £800,000 (2003 – £415,000) which will be available to set off against future trading profits of the company. In addition subsidiary companies have UK expenditure of approximately £64,000 and overseas expenditure of approximately £100,000 available to set off against future profits. A deferred tax asset of £289,000 (2003 – £131,000) has not been recognised in respect of the timing differences relating to this expenditure.

5. Intangible Assets

	Intellectual property rights £	Goodwill £	Total £
Cost and Net Book Value			
At 1 January 2004	–	–	–
Additions	<u>350,000</u>	<u>70,213</u>	<u>420,213</u>
At 30 June 2004	<u>350,000</u>	<u>70,213</u>	<u>420,213</u>

On 25 March 2004, the company acquired 100 per cent. of the share capital of D1 Oil Subsidiary Limited (formerly D1 Ltd) from K Watkin a director of D1 Oils Limited. The following table sets out the book values of the identified assets and liabilities acquired and their fair value. Separate presentation of the results in the profit and loss account have not been provided on the grounds of materiality.

	£
Tangible fixed assets	53,443
Debtors	143,892
Creditors	<u>(266,549)</u>
Net liabilities	<u>69,214</u>
Satisfied by:	
Settlement of borrowings	<u>999</u>
Goodwill on acquisition	<u>70,213</u>

6. Tangible Fixed Assets

	Fixtures and fittings £	Plant and machinery £	Computer equipment £	Total £
Cost				
On incorporation	–	–	–	–
Additions	<u>1,410</u>	–	–	<u>1,410</u>
At 31 December 2003	1,410	–	–	1,410
On acquisition	53,443	–	–	53,443
Additions	<u>940</u>	<u>750,000</u>	<u>5,497</u>	<u>756,437</u>
At 30 June 2004	<u>55,793</u>	<u>750,000</u>	<u>5,497</u>	<u>811,290</u>
Depreciation				
On incorporation	–	–	–	–
Charge for the period	–	–	–	–
At 31 December 2003	–	–	–	–
Charge for the period	<u>3,547</u>	–	<u>687</u>	<u>4,234</u>
At 30 June 2004	<u>3,547</u>	–	<u>687</u>	<u>4,234</u>
Net book value				
At 30 June 2004	<u>52,246</u>	<u>750,000</u>	<u>4,810</u>	<u>807,056</u>
At 31 December 2003	<u>1,410</u>	–	–	<u>1,410</u>

Included with the above are assets held under hire purchase and finance lease agreements with a net book value of:

	Fixtures and fittings £	Plant and machinery £	Total £
At 30 June 2004	<u>50,898</u>	<u>750,000</u>	<u>800,898</u>
At 31 December 2003	–	–	–

7. Debtors

	31 December 2003	30 June 2004
	£	£
Other debtors	–	183,702
Called up share capital not paid	–	33,180
	<u>–</u>	<u>216,882</u>

All amounts are due within one year.

8. Creditors: amounts falling due within one year

	31 December 2003	30 June 2004
	£	£
Obligations under finance leases	–	40,942
Trade creditors	2,618	133,363
Accruals and deferred income	102,450	133,646
Amounts owed to related parties (note 15)	313,125	609,410
Directors' loans (note 5)	262,778	547,672
Other loans	27,824	380,205
Other creditors	–	1,046
	<u>708,795</u>	<u>1,846,284</u>

9. Creditors: amounts falling due after more than one year

	31 December 2003	30 June 2004
	£	£
Obligations under finance leases	–	758,816

10. Borrowings

	31 December 2003	30 June 2004
	£	£
Obligations under finance leases		
Within one year	–	40,942
Between one and two years	–	305,942
Between two and five years	–	452,874
	<u>–</u>	<u>799,758</u>

11. Financial Instruments

The Group's financial instruments comprise finance leases, cash at bank and liquid resources and various net working capital items, such as trade creditors that arise from its operations. The main purpose of these financial instruments is to transact and to raise finance for the Group's operations.

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.

Other than for currency disclosures, short term debtors and creditors are excluded from the scope of the analysis below.

Undrawn Facilities

The Group has no undrawn committed facilities available at 30 June 2004 (31 December 2003 – Nil).

Interest Rate Risk

The Group has two finance lease obligations, the terms of which include fixed interest rates of 16.7 and 8.8 per cent respectively.

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.

Foreign Currency Translation Risk

The main functional currency of the Group is sterling. The Group's currency exposure is limited to the purchase commitments referred to in note 16 which represent an approximate exposure of \$532 million over 20 years.

No significant currency risks arise through the consolidation of overseas subsidiaries at 30 June 2004. The directors are actively developing an appropriate means of mitigating the risks of these entities as they become a more significant element of the business.

Commodity Price Risks

The Group does not engage in commodity hedging activities at present, though will review its position in relation to the purchase commitments noted in note 16.

12. Called Up Share Capital

	31 December 2003 £	30 June 2004 £
Authorised		
500,000 £1 'A' ordinary shares	–	500,000
500,000 £1 'B' ordinary shares	–	500,000
1,000 £1 ordinary shares	1,000	–
	<hr/>	<hr/>
Called up and allotted		
59,855 £1 'A' ordinary shares	–	55,855
69,145 £1 'B' ordinary shares	–	69,145
£1 ordinary shares	1	–
	<hr/>	<hr/>
	1	125,000
	<hr/>	<hr/>

On 2 February 2004 the authorised share capital was increased from 1,000 £1 ordinary shares to 1,000,000 £1 ordinary shares and divided into 500,000 'A' ordinary shares of £1 each and 500,000 'B' ordinary shares of £1 each.

Following the issue of shares to various parties during the 6 months period ended 30 June 2004, the issued share capital was increased by £124,999, to £125,000 with an increase to the share premium account from £nil at 31 December 2003, to £359,403 at 30 June 2004.

The shares were issued to assist with raising working capital for the company. The ordinary shares rank *pari passu* in all respects other than the 'B' ordinary shares carry no voting rights.

13. Statement of Movements on Reserves

	Share premium £	Profit and loss account £
On incorporation	–	–
Loss for the financial period	–	(704,478)
At 31 December 2003	–	(704,478)
Loss for the financial period	–	(913,366)
Currency translation difference on foreign currency net investment	–	(1,884)
Shares issued in the period	359,403	–
At 30 June 2004	359,403	(1,619,728)

14. Reconciliation of Movements in Equity Shareholders' Funds

	31 December 2003 £	30 June 2004 £
Loss for the financial year	(704,478)	(913,366)
Currency translation difference on foreign currency net investment	–	(1,884)
New shares issued	1	484,402
	(704,477)	(430,848)
Opening equity shareholders' deficit	–	(704,477)
Closing equity shareholders' deficit	(704,477)	(1,135,325)

15. Related Party Transactions

During the period the company incurred consultancy costs of £73,750 to Red Comm Limited, a company in which Karl Watkin is a director and shareholder, £73,750 consultancy costs to Global Trading Group Limited, a company in which M Quinn is a director and shareholder and £48,750 consultancy costs to Almegar Solutions Limited, a company in which A Worrall is a director and shareholder. All transactions were at arms length.

At 30 June 2004, the following amounts were included within amounts owed to related parties, a balance of £273,798 (2003 – £167,263) owed to Red Comm Limited, a balance of £54,252 (2003 – £5,502) owed to Almegar Solutions Limited, and £205,360 (2003 – £140,360) owed to Global Trading Group Limited. Also included is an amount of £80,000 owed to Tree of Dreams Limited, a company in which Alex Worrall is a director and shareholder.

The directors loans, which have been made to fund the operating expenses of the company are as follows: K Watkin £301,808 (2003 – £189,210), A Worrall £157,388 (2003 – £25,000) and M Quinn £84,476 (2003 – £48,568). No interest is paid on the loans.

During the period to 30 June 2004 the company acquired intellectual property rights for £350,000 from Steve Davis, a former director of the company. Of this amount £310,894 is outstanding at 30 June 2004. At the end of the financial period the company owed £10,574 to Safety Issues (Fabrication) Limited, a company in which Steve Davis is a director. These amounts are disclosed in other loans. Included in other debtors is an amount owed by Safety Issues (Fabrication) Limited of £149,770.

The company also received consultancy services from D Sonnenberg, a former director of the company, and at the end of the financial period the amount owed was £73,750 (2003 – £50,000). This amount is disclosed in accruals and deferred income.

16. Financial Commitments

The company has entered into contracts for the purchase of raw materials to produce biodiesel to the value of £313 million over the next twenty years, of which £2.5 million is due within one year, £32.4 million is due within two to five years, and £278.1 million is due after five years.

Under the terms of an agreement dated 14 September 2004, D1 Oils Limited has agreed to purchase additional Intellectual Property Rights from Safety Issues (Fabrication) Limited, a company controlled by Steve Davis, a former director of D1 Oils Limited, for £400,000 together with materials and spares for £70,000. In addition D1 Oils Limited has agreed to pay a further performance related bonus of £250,000 on or before 30 April 2005 depending on the performance of the technology.

17. Controlling Party

The ultimate controlling party at 31 December 2003 was K Watkin, a director, and the sole shareholder of the company at that time. No controlling party existed at 30 June 2004.

18. Subsidiary Undertakings

The company has investments in the following subsidiary undertakings at 30 June 2004. D1 Oils Asia Pacific Inc has been consolidated as a subsidiary as the directors consider D1 Oils Trading Limited to be in control of the company.

	Country of incorporation	Principal activity	Holding %
D1 Oils Asia Pacific Inc	Philippines	Growing, refining and distribution of bio-diesel oil	40
D1 Oils South Africa (PTY) Limited	South Africa	Growing, refining and distribution of bio-diesel oil	75
D1 Oil Subsidiary Limited	England	Trading and distribution of bio-diesel fuel	100
D1 (UK) Limited	England	Dormant	100
D1 Oils Tanzania Limited	Tanzania	Dormant	90

19. Loss per Ordinary Share

Loss per share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of shares in issue for the six months ended 30 June 2004 is 78,186 and for the 49 weeks ended 31 December 2003 is 1. The loss for the financial period to 30 June 2004 is £913,366 and for the financial period to 31 December 2003 is £704,478.

20. Auditors

The auditors of the Group accounts in each period were Deloitte & Touche LLP, Newcastle upon Tyne.

21. Subsequent Events

On 24 August 2004, a new company was incorporated with the name Pinco 2191 as a public limited company with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1.00 each. The authorised share capital of this company was increased to £520,000 by the creation of an additional 47,000,000 ordinary shares of £0.01 each. On 14 September 2004 this new company acquired the entire issued share capital of D1 Oils Trading Limited in consideration for the D1 Oils Trading Limited shareholders receiving 12,500,000 ordinary shares in D1 Oils plc and changed its name to D1 Oils plc on 24 September 2004. Further details of D1 Oils plc and the share exchange are set out in Part IV of this document.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants
Newcastle upon Tyne

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

1.1 The Directors of the Company, whose names appear on page 4 of this document accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY AND ITS SUBSIDIARIES

2.1 The Company was incorporated and registered in England and Wales on 24 August 2004 with the name Pinco 2191 plc as a public limited company under the Act with registered number 5212852. On 31 August 2004, the name of the Company was changed to D1 plc. On 24 September 2004 the name of the Company was changed to D1 Oils plc.

2.2 The principal legislation under which the Company operates is the Act and regulations made thereunder.

2.3 The Company was issued with a certificate pursuant to section 117 of the Act (allowing it to carry on business and to exercise its borrowing powers) on 27 September 2004.

2.4 The liability of the members of the Company is limited.

2.5 The Company's registered office and principal place of business is at Concorde Business Centre, Concorde Way, Preston Farm Business Park, Stockton-on-Tees TS18 3RB.

2.6 The business of the Company, and its principal activity is to act as the holding company of the Group.

2.7 The Company is the holding company of the Group. D1 Oils Trading Limited, a company incorporated in England and Wales and the Company's wholly owned subsidiary, is the holding company of the following companies:

Company Name	Country of Incorporation or Registration	Registered Office Address	Nature of Business	Issued Share Capital	Percentage of issued shares held by the Group
D1 Oils Tanzania Limited	Tanzania	NIC Investment House 2nd Floor Wing "A" PO Box 78841 Dar Es Salaam Tanzania	Dormant	Tshs.50,000,000 (Tanzania Shillings 50 Million)	90%
D1 (UK) Limited	England	Concorde Business Centre Concorde Way Preston Farm Business Park Stockton on Tees Teesside TS18 3RB	Manufacture of refined petroleum products	£1,999	100%
D1 Oil Subsidiary Limited	England	Concorde Business Centre Concorde Way Preston Farm Business Park Stockton on Tees Teesside TS18 3RB	Other business activities	£100	99%
D1 Oils South Africa (Pty) Limited	The Republic of South Africa	52 Grosvenor Road Sable House Fairway Office Park Bryanston Johannesberg South Africa	To deal in oil products and related activities	100 rand	70%
D1 Oils Africa (Pty) Limited	The Republic of South Africa	c/o Wimpie Cox & Company Chartered Accountants, 4 Lynburn Road, Lynwood Manor, Pretoria, South Africa	General trading in all aspects	100 rand	100%
D1 Oils Asia Pacific, Inc.	The Republic of The Philippines	21F1 Pacific Star Building Makati Avenue Makati City, Manila Republic of the Philippines	Manufactures of biodiesel	Php 250,000 (Philippine Peso 250,000)	39.96% ¹
D1 India Private Limited ²	India	C-796 New Friends Colony New Delhi 110 065 India	–	–	–
D1 Mohan Bio Oils Limited	India	Rayala Towers New No 158 Anna Saai Chennai 600 002 India	–	£1,800,000	50.1%

¹ The other 60.04% of the issued share capital is held by nominees for D1 Oils Trading Limited.

² D1 India Private Limited is in the process of being incorporated by Hamant Paliwel & Associates in New Delhi. The name has been approved by the Registrar of Companies in New Delhi.

³ D1 Mohan Bio Oils Limited is in the process of being incorporated.

3. SHARE CAPITAL

- 3.1 On 24 August 2004 the Company was incorporated with a authorised shared capital of £50,000 divided into 50,000 ordinary shares of £1.00 each, of which two ordinary shares of £1.00 each were in issue nil paid.
- 3.2 Pursuant to resolutions of the members of the Company passed on 14 September 2004:
- 3.2.1 each of the issued and unissued ordinary shares of £1 each in the capital of the Company was sub divided into 100 ordinary shares of 1 pence each;
- 3.2.2 the authorised share capital of the Company was increased from £50,000 to £520,000 by the creation of an additional 47,000,000 ordinary shares of 1 pence each;
- 3.2.3 in substitution for any previous authority, the Directors were generally and unconditionally authorised, in accordance with section 80 Companies Act 1985 to allot all relevant securities (as defined in that section) up to a maximum aggregate nominal amount of relevant securities of £520,000 provided that this authority will expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company following the passing of this resolution, or if earlier, the date falling fifteen months after the date on which this resolution was passed, save that the directors may, before the expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to such offer or agreement as if the authority had not expired;
- 3.2.4 the directors were given power in accordance with section 95 Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) pursuant to the resolution conferred by the resolution details of which are set out in paragraph 3.2.3 above as if section 89(1) of the Act did not apply to the allotment provided that such power will expire unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company following the passing of this resolution, or if earlier, the date falling fifteen months after the date on which this resolution was passed, save that the directors may, before the expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such offer or agreement as if the authority had not expired; and
- 3.2.5 the Company adopted new articles of association of the Company in substitution for and to the exclusion of all existing articles of association of the Company.
- 3.3 On 14 September 2004 the subscriber shares were transferred to Karl Watkin.
- 3.4 On 14 September 2004, the Company acquired the entire issued share capital in D1 Oils Trading in consideration for the D1 Oils Trading shareholders receiving 12,500,000 Ordinary Shares in aggregate comprising 12,499,800 new Ordinary Shares and 200 Ordinary Shares which were transferred to Karl Watkin as described in paragraph 3.3 above on the basis of one hundred Ordinary Shares for every one ordinary share of £1 each in the capital of D1 Oils Trading.
- 3.5 As at the date of this document, the Company has an authorised share capital of £520,000 divided into 52,000,000 Ordinary Shares and a fully paid up issued share capital of £125,000 divided into 12,500,000 Ordinary Shares.
- 3.6 Save as set out in paragraphs 3.2 to 3.4 of this Part IV above, there have been no changes in the authorised and issued share capital of the Company since incorporation.
- 3.7 Immediately following the Placing and Admission, the authorised share capital of the Company will be £520,000 divided into 52,000,000 Ordinary Shares and the issued share capital will be £214,928.64 divided into 21,492,864 Ordinary Shares each fully paid or credited as fully paid.
- 3.8 Immediately following the Placing and Admission, the Directors will have authority pursuant to section 80 of the Act to allot relevant securities up to an aggregate amount of £306,071.36 being an amount equal to 142.4 per cent. of the aggregate nominal amount of the Ordinary Shares issued and fully paid after Admission.
- 3.9 The provisions of section 89(1) of the Act confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and upon Admission have been disapplied in respect of all of the authorised, but unissued share capital of the Company by the resolutions referred to in paragraph 3.2 above.
- 3.10 Save as disclosed in this document, the Directors have no present intention of issuing any part of the authorised but unissued share capital.
- 3.11 Save as disclosed in this document:
- 3.11.1 no unissued share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for consideration other than cash;

- 3.11.2 there has been no listed or unlisted securities issued by the Company not representing share capital and there are no convertible securities issued by the Company;
- 3.11.3 no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- 3.11.4 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises; and
- 3.11.5 no commission, discount, brokerage or other special terms has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.
- 3.12 Shares will rank in full for all dividends or other distributions hereafter declared, paid or made on the ordinary share capital of the Company.
- 3.13 Otherwise than pursuant to the Placing none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.
- 3.14 The Placing Shares that are being issued by the Company under the Placing are being issued at a price of 160p per share, representing a premium of 159p over their nominal value. The Placing Price is payable in full in cash on application. No applications for Placing Shares have been or will be accepted other than under the terms of the Placing Agreement and the placing letters sent to prospective places under the Placing. All Placing Shares have been conditionally placed.
- 3.15 The Ordinary Shares may be held in either certificated or uncertificated form. It is expected that share certificates will be posted within ten days of Admission and that Ordinary Shares to be held in CREST will be credited to relevant accounts shortly after Admission. No temporary documents of title will be issued.

4. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company provides that the Company's principal objects include carrying on business as a general commercial company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association. The Memorandum of Association is one of the documents referred to in paragraph 17 below as being available for inspection.

5. ARTICLES OF ASSOCIATION

5.1 The Articles which were adopted on 14 September 2004, *inter alia*, include provisions to the following effect:

5.1.1 Voting Rights

Subject to disenfranchisement as provided in 5.1.4 below and subject to any special terms as to voting on which any shares may be issued (no such shares currently being in issue), on a show of hands every member present in person (or, being a corporation, present by a duly authorised representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

5.1.2 Transfer of Shares

The Ordinary Shares are in registered form and are capable of being held in uncertificated form.

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations. If the Directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

All transfers of certificated shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any transfer of a certificated share unless the instrument of transfer is:

duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

- (a) in respect of only one class of shares; and
- (b) in favour of not more than four transferees.

5.1.3 Dividends

The Company in general meeting may declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other moneys payable in respect of a share shall bear interest as against the Company.

There are no fixed dates on which entitlement to dividends arises.

All dividends unclaimed for a period of twelve years after becoming due for payment shall be forfeited and shall revert to the Company.

5.1.4 Disclosure of interests in shares

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in section 212 of the Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares.

The sanctions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholding representing at least 0.25 per cent by nominal value of any class of shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares.

5.1.5 Distribution of assets on liquidation

On a winding-up any surplus assets will be divided amongst the holders of the Ordinary Shares according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges (no such shares presently being in issue). The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine.

5.1.6 Changes in share capital

Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or in the absence of such determination as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

- (a) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.
- (b) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

5.1.7 Variation of rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

5.1.8 Directors' interests

- (a) A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with section 317 of the Act the nature of his interest.
- (b) Provided that he has declared his interest in accordance with paragraph (i), a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.

- (c) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (d) A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:
 - (i) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (ii) the giving to a third party of any guarantee, security or indemnity in respect of any obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) the subscription by him for shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
 - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that the shares in which he is interested do not represent one per cent or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
 - (v) any proposal relating to an arrangement in whole or in part for the benefit of the employees of the Group which does not award to him as such any privilege or advantage not awarded to the employees to whom such arrangement relates;
 - (vi) any proposal concerning the purchase or maintenance of insurance against any liability which would otherwise attach to all or any of the Directors.
- (e) Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (f) The Company may by ordinary resolution suspend or relax these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of these provisions.

5.1.9 Remuneration of Directors

- (a) The ordinary remuneration of the Directors (other than an executive director) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of such Directors shall not exceed £250,000 per year) to be divided among them in such proportion and manner as the Directors may determine. The Directors shall also be paid by the Company all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.
- (b) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- (c) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants, or apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

5.1.10 Retirement of Director

A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age and section 293 of the Act (relating to the appointment and retirement as Directors of persons who are aged 70 or over) shall not apply.

5.1.11 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings secure that they restrict their borrowings so that the aggregate amount at any time outstanding in respect of money borrowed by the Group (excluding intra-Group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to the greater of two times the adjusted share capital and reserves and £20 million.

6. DIRECTORS' AND OTHER INTERESTS

6.1 The Directors' and other significant interests in the Company's share capital:

6.1.1 At the date of this document and immediately following Admission, the interests of the Directors (including persons connected with them within the meaning of Section 346 of the Act) in the share capital of the Company, which have been notified to the Company pursuant to Sections 324 and 328 of the Act and which are shown in the register of Directors' interests maintained under Section 325 of the Act, are as follows:

Directors	<i>At the date of this document</i>		<i>Immediately following the Placing</i>		Options over Ordinary Shares
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital	
Karl Watkin ¹	3,454,000	27.63	3,863,988	17.98	39,062
Philip Wood ²	673,000	5.38	673,000	3.13	234,374
Peter Campbell	250,000	2.00	250,000	1.16	39,062
Mark Quinn ³	1,662,500	13.3	1,861,691	8.66	39,062
Alex Worrall ⁴	1,080,700	8.65	1,276,885	5.94	39,062
Barclay Forrest	250,000	2.00	250,000	1.16	78,125
Dr Clive Morton	Nil	Nil	Nil	Nil	156,250
Peter Davidson ⁵	93,750	0.75	73,750	0.44	156,250

¹Mr Watkin's interests include 287,500 Ordinary Shares registered in the name of Global Networx Solutions Limited, a company of which he is a director and 191,671 Ordinary Shares registered in the name of Red Comm Limited, a company of which he is a director. See also note 3.

²Mr Wood's interests include 125,000 Ordinary Shares registered in the name of Barclay Forrest who holds such shares as nominee for Mr Wood and 125,000 Ordinary Shares registered in the name of Global Networx Solutions Limited who hold such shares as nominee for Mr Wood. Mr Wood's interests also include options over 156,249 Ordinary Shares granted to his wife and dependent children. See also notes 1 and 2.

³Mr Quinn's interests include 287,500 Ordinary Shares registered in the name of Global Networx Solutions Limited, a company of which he is a director and 151,397 Ordinary Shares registered in the name of Global Trading Group Limited, a company of which he is a director. See also note 1.

⁴Mr Worrall's interests include 191,442 Ordinary Shares registered in the name of Almegar Solutions Limited, a company of which he is a director.

⁵Mr Davidson's interests include 93,750 Ordinary Shares registered in the name of Global Networx Solutions Limited who hold such shares as nominee for Mr Davidson. Mr Davidson's interests also include options over 78,125 Ordinary Shares registered in the name of his wife. See also notes 1, 2 and 3.

6.1.2 Other than as stated, above, the interests of the Directors are beneficial.

6.1.3 Details of the options to subscribe for Ordinary Shares referred to above are set out at paragraph 7 of this Part IV.

6.1.4 Save for the Directors, at the date of this document and immediately following Admission, so far as the Directors are aware, the following persons are or will be directly or indirectly interested in more than 3 per cent. of the Ordinary Shares:

Shareholders	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Stephen Davis	1,300,000	10.4	1,362,500	6.34
David Sonnenberg	650,000	5.2	650,000	3.02
Invesco Perpetual	Nil	Nil	812,500	3.78
Framlington Investment Management Ltd	Nil	Nil	2,300,000	10.70
Lansdowne Partners Ltd	Nil	Nil	1,250,000	5.82

6.1.5 Save as described above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

6.2 Directors' remuneration and service agreements

- 6.2.1 The aggregate remuneration paid to the directors of the Company in respect of the 49 weeks ended 31 December 2003 by the Company was £5,208 (including pension fund contributions and benefits in kind). The aggregate annual remuneration (including pension fund contributions and benefits in kind) of the Directors in respect of the financial period ending 31 December 2005 under the arrangements in force at the date hereof is expected to be £827,500 (£745,000 for the executive directors and £82,500 for the non-executive directors).
- 6.2.2 Each of the executive directors has entered into a service agreement or contract for services with the Company conditional on Admission.
- 6.2.3 On 20 October 2004, Philip Wood entered into a service agreement with the Company. His continuous period of employment shall be treated as having begun on 1 September 2004. The service agreement is terminable upon either party giving the other party twelve (12) months' written notice. The Company has the right to terminate the service agreement with immediate effect by making a payment of basic salary and benefits (less tax and national insurance contributions) in lieu of such notice period. Philip Wood is entitled to an annual salary of £150,000 (subject to annual review), out-of-pocket expenses, 30 working days' holiday each year and medical expenses insurance. The service agreement also contains certain non-compete, non-solicitation restrictions on Mr Wood following the termination of his employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 6.2.4 On 20 October 2004, Karl Watkin entered into a service agreement with the Company. His continuous period of employment shall be treated as having begun on 1 April 2003. The service agreement is terminable upon either party giving the other party twelve (12) months' written notice. The Company has the right to terminate the service agreement with immediate effect by making a payment of basic salary and benefits (less tax and national insurance contributions) in lieu of such notice period. Karl Watkin is entitled to an annual salary of £150,000 (subject to annual review), out-of-pocket expenses, 30 working days' holiday each year and medical expenses insurance. The service agreement also contains certain non-compete, non-solicitation restrictions on Mr Watkin following the termination of his employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 6.2.5 On 20 October 2004, Mark Quinn entered into a service agreement with the Company in substitution for his existing service contract which ceased to have any force or effect. His continuous period of employment shall be treated as having begun on 1 November 2002. The service agreement is terminable upon either party giving the other party twelve (12) months' written notice. The Company has the right to terminate the service agreement with immediate effect by making a payment of basic salary and benefits (less tax and national insurance contributions) in lieu of such notice period. Mark Quinn is entitled to an annual salary of £150,000 (subject to annual review), out-of-pocket expenses, 30 working days' holiday each year and medical expenses insurance. The service agreement also contains certain non-compete, non-solicitation restrictions on Mr Quinn following the termination of his employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 6.2.6 On 20 October 2004, Alex Worrall entered into a service agreement with the Company. His continuous period of employment shall be treated as having begun on 1 December 2003. The service agreement is terminable upon either party giving the other party twelve (12) months' written notice. The Company has the right to terminate the service agreement with immediate effect by making a payment of basic salary and benefits (less tax and national insurance contributions) in lieu of such notice period. Alex Worrall is entitled to an annual salary of £100,000 (subject to annual review), out-of-pocket expenses, 30 working days' holiday each year and medical expenses insurance. The service agreement also contains certain non-compete, non-solicitation restrictions on Mr Worrall following the termination of his employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 6.2.7 On 20 October 2004, Peter Campbell entered into a service agreement with the Company in substitution for his existing service contract which ceased to have any force or effect. His continuous period of employment shall be treated as having begun on 1 April 2004. The service agreement is terminable upon either party giving the other party twelve (12) months' written notice. The Company has the right to terminate the service agreement with immediate effect by making a payment of basic salary and benefits (less tax and national insurance contributions) in lieu of such notice period. Peter Campbell is entitled to an annual salary of £120,000 (subject to annual review), out-of-pocket expenses, 30 working days' holiday each year and medical expenses insurance. The service agreement also contains certain non-compete, non-solicitation restrictions on Mr Campbell following the

termination of his employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.

6.2.8 Following Admission, there will be no other existing or proposed service contracts between any of the Directors and any other member of the Group.

6.2.9 Save as stated above, there are no service agreements existing or proposed between any of the Directors and the Company or any of its subsidiaries, which are not terminable within six months, by the relevant company without payment of compensation (other than statutory compensation).

6.2.10 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

6.3 Loans and guarantees

6.3.1 There are no loans or guarantees provided by any member of the Group for the benefit of any of the directors.

6.4 Directors' interests in transactions

6.4.1 Save as disclosed in this document, no Director has or has had any interest in any transaction which is of an unusual nature, contains unusual terms or is significant in relation to the business of the Group and which was effected during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

6.5 Further information concerning Directors:

6.5.1 The Directors currently hold the following directorships (other than of the Company) and have or have held the following directorships within the five years prior to the publication of this document:

Name	Current Directorships	Past Directorships within the last 5 years
Karl Eric Watkin aged 48	Autologic Data Systems Limited Aquamatrix Limited Burgham Park Developments Limited Burgham Park Option Company Limited D1 Oil Subsidiary Limited D1 Oils Trading Limited D1 (UK) Limited DMW Research Limited Drivepatch Limited Global Networx Solutions Limited Hoodco 550 Limited Keel Haul Limited Pacelong Limited Redcliffe Limited Redcliffe Holdings Limited Red Comm Limited Securex Displays Limited Stakeshare Limited Tyne Theatre & Opera House Limited UK Yachts Limited ZTE (UK) Limited ZTE Limited	Techspereience Limited Granite Rock Limited J2C PLC Common Knowledge International Limited Bestvaluezone Limited J2C Network Services Limited Tradezone Internet Services Limited Just2clicks Zone Limited Just2clicks.com Limited Tradezone International Limited Powernet Media Systems Limited Wide Area Markets Limited Industry Online Limited E-Cement.com Limited Deal Commodity.com Limited Sovereign Strategy Limited Global Trade Group Limited Globalpoint Technologies Limited

Name	Current Directorships	Past Directorships within the last 5 years
Mark Lockhart Muir Quinn aged 44	D1 Oil Subsidiary Limited D1 Oils Trading Limited D1 (UK) Limited Global Networx Solutions Limited Global Trade Group Limited Positive Asset Remarketing Inc. Global Networx Corporation Inc.	None
Philip Kenneth Wood aged 49	Tibco Software Inc.	Reuters Transaction Services Limited Reuters S.A. (Switzerland) Reuters Nederland B.V. Instinet Corporation Pedestal Inc. Comtelburo Limited Monitor Trading Limited Reuters Eastern Europe Limited Reuters Group Overseas Holdings (UK) Limited Reuters Latam Trading Limited Reuters Nominees Limited Atriax Holdings Limited Independent Television News Limited Tibco Finance Technology Inc.
William Peter Campbell aged 48	None	Methanex (UK) Limited
Alex David Worrall aged 53	Almegar Solutions Limited Birmid Holdings Pension Trustees Limited Buckden Construction Limited Buckden Marina Limited D1 Oils Subsidiary Limited D1 Oils Trading Limited D1 (UK) Limited Green Tyre Company plc OSC Process Engineering Limited Thyssenkrupp Automotive (UK) Limited Thyssenkrupp Birmid Limited Thyssenkrupp Intermediate UK Limited Thyssenkrupp UK plc The Mice House Company Limited The Tree of Dreams Company Limited Waterscape Village Limited	Thyssenkrupp Automotive Tallent Chassis Limited Thyssenkrupp Camford Engineering plc Thyssenkrupp Camford Limited Thyssenkrupp Automotive Chassis Products UK plc Thyssenkrupp Automotive Tallent Services Limited
John Barclay Forrest aged 63	None	The Oxford Farming Conference
Dr Clive Neil Morton aged 61	The Centre for Tomorrow's Company Board Performance Limited Greater Peterborough Investment Agency	Hartlepool Water Limited The Royal Society For The Prevention of Accidents Whitwell Learning Limited Northern Pinetree Trust Association for Management Education and Development
Peter John Davidson aged 50	None	Paras Limited

Mr Watkin was also a director of Hirecabin Limited and Neks (North East No. 2) Limited. Hirecabin

Limited was dissolved on 12 October 1999 and its last accounts filed were dormant accounts made up to 31 July 1997. Neks (North East No. 2) Limited was dissolved on 26 October 1999, it had not filed any accounts with the registrar of companies.

Mr Worrall was also a director of Almega Limited. Almega Limited was dissolved on 22 January 2002, and their last accounts were made up to 30 September 2000 (Total Exemption Full).

Mr Forrest was also a director of Whitemire Farms Limited and Unique Northumberland Cereals Limited. Whitemire Farms Limited was dissolved on 4 April 2003 and its last accounts were total exemption small accounts made up to 28 November 2001. Unique Northumberland Cereals Limited was dissolved on 9 December 2003, It had not filed any accounts with the registrar of companies.

- 6.5.2 Save as disclosed above, none of the Directors has been a director of, or partner in, any company or partnership at any time in the previous five years. None of the Directors has any unspent convictions in respect of indictable offences. None of the Directors has been a bankrupt or entered into an individual voluntary arrangement. None of the Directors was a partner of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement. None of the Directors has owned an asset over which a receiver has been appointed nor has any of the Directors been a partner of any partnership at the time of or within 12 months preceding receivership of any assets of the partnership.
- 6.5.3 There have been no public criticisms of any of the Directors by any statutory or regulatory authority (including recognised professional bodies) and none of the Directors has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.5.4 Save as disclosed above, none of the Directors was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

7. SHARE OPTIONS

The D1 Oils plc Share Option Plan

- 7.1 D1 has established The D1 Oils plc Share Option Plan (the “**Plan**”) in order to allow selected employees to share in the success of the Group and promote motivation and retention. The Plan will offer the opportunity to grant highly tax efficient enterprise management incentive (“**EMI**”) share options in accordance with the EMI code of ITEPA 2003 as well as the flexibility to grant normal unapproved share options for which there are no tax advantages. Benefits under the Plan are not pensionable. The operation of the Plan will be overseen by the Board’s non-executive directors.

The proposed terms of the Plan are set out in summary below.

7.2 Grants of Options

Options may be granted to employees at the discretion of the Board. Options may be granted at any time save that after Admission all grants must be made in accordance with the AIM rules (and must not therefore be made in a close period as defined in the AIM rules).

7.3 Eligibility

Any employee including an executive Director of the Group is eligible to participate in the Plan, although EMI options may only be granted to employees who meet certain EMI code requirements regarding commitment of working time to the business.

7.4 The Option Price

Unless the Board determines otherwise, the price per share at which Ordinary Shares may be acquired on the exercise of options will be the value of an Ordinary Share on the date of option grant as determined by the Board, and where Ordinary Shares are to be acquired by subscription, shall not be less than the nominal value of an Ordinary Share.

7.5 Performance Conditions

The Board may impose performance conditions which will have to be satisfied before options may be exercised. The Board propose to impose performance conditions on the initial grants of options to participants (including the grants to Directors disclosed in the table at paragraph 6.1.1), requiring that those options will not be capable of being exercised until such time as the price per Ordinary Share increases by 10 per cent. above the price per Ordinary Share achieved on Admission. In calculating this target, the share prices will be calculated over appropriate averaging periods specified by the Board prior to the grant of Option.

7.6 Exercise of Options

An option granted under the Plan may be exercised after the first anniversary of the date of grant provided that any performance conditions have been fulfilled. Options cannot in any event be exercised after the tenth anniversary of the date of grant.

If an optionholder ceases to hold office or employment with the Group, all options will normally lapse. However, the Board will have a discretion to permit individuals to retain their options on leaving.

If there is a disqualifying event for the purposes of the EMI code, the Board may allow the exercise of EMI options. However, unless the Board determines otherwise, the relevant performance conditions will apply in these circumstances.

7.7 Takeover, Reconstruction, Winding-up and Demerger

Exercise of options within specified periods is permitted in the event of a takeover of the Company, on a reconstruction of the Company, in the event of a voluntary winding-up, or (at the discretion of the Board) on a demerger. On a demerger, an option may only be exercised to the extent permitted by the Board.

In the circumstances of a takeover, a reconstruction, or a voluntary winding-up or a demerger, an option may normally only be exercised to the extent that any relevant performance conditions have been fulfilled, unless the Board determines otherwise.

7.8 Overall Limit on the Issue of Ordinary Shares

No option may be granted under the Plan if it would cause the number of new shares issued or issuable pursuant to options or awards granted in the preceding 10 years under any employees' share plan established by the Company to exceed 10 per cent. of the Company's issued ordinary share capital at the date of grant. Any options granted prior to or in connection with Admission are excluded from this calculation and the Board may also exclude other grants from the calculation, in exceptional circumstances.

The Company must also comply with the global limit on the value of shares over which the Company may grant EMI options as specified by the EMI code (currently £3 million).

7.9 Individual Limit on the Value of Ordinary Shares for which Options are Granted

The maximum number of Ordinary Shares that may be subject to a grant of options made to any person in any year will be limited to Ordinary Shares with a market value at the date of option grant equal to 200% of a participant's annual basic salary, unless the Board determines that exceptional circumstances justify this limit being exceeded. In addition, if the person is required to settle a participating company's liability for National Insurance contributions on the exercise of options, grants may be proportionally higher than this annual limit if necessary to take account of this liability.

Furthermore, a person may not hold EMI options over Ordinary Shares with a value as at the date of grant of £100,000, or such other amount as specified by the EMI code from time to time.

7.10 Rights attaching to Ordinary Shares

Ordinary Shares issued on the exercise of options will rank equally in all respects with all other Ordinary Shares of the Company for the time being in issue (save as regards any rights attaching to Ordinary Shares by reference to a record date preceding the date of issue).

7.11 Variation of Share Capital

In the event of any variation of share capital including a capitalisation issue, a rights issue, a sub-division or consolidation of shares, or a reduction in capital, or in the event of a demerger, payment of a capital dividend or similar event involving the Company, the Board may make such adjustments as it considers appropriate to adjust the number of shares subject to an option, the option price and (if appropriate) the performance criteria.

7.12 Alteration of the Plan

The Board may alter or add to the Plan, but may not make any alteration or addition that is to the advantage of present or future optionholders to the rules concerning eligibility, individual and overall limits on participation, the option price, variation of share capital or the alterations rule itself without the prior approval of the Shareholders of the Company in general meeting, except for minor amendments for the purposes of administration of the Plan or to take account of any changes in legislation or to obtain or maintain favourable tax, exchange, control or regulatory treatment for present or future optionholders or any group company.

7.13 Participation of Non-employees

In exceptional circumstances, options may be granted to non-employees such as non-executive directors or members of the consultancy board. These grants will, as far as possible, be made on commercial terms similar to those that apply to grants of options to employees made under the Plan.

8. PREMISES

Members of the D1 Group occupy the following premises on the basis set out below

- 8.1 D1 Oils Trading has a licence to occupy the workshop storage and office space at number 19 Concorde House, Concorde Way, Preston Farm Business Park, Stockton on Tees, Cleveland TS18 3RB for a period commencing on 17 May 2004 and ending on 16 May 2005. The licence fee is £344.67 per month (plus VAT).
- 8.2 D1 Oils Trading has a licence to occupy office space at 100 Pall Mall, London SW1Y 5HP for a period of twelve months commencing on 5 April 2004 and ending on 4 April 2005. The licence fee is currently £2,000 per month (plus VAT). The Agreement contains an option to break after six months upon service of one month's notice. No such notice has been served. At the end of the twelve month period the licence can be renewed for a minimum of three months.
- 8.3 Mohan Breweries & Distilleries Limited has leased a portion of its premises on the Ground Floor at C-796, New Friends Colony, New Dehli 110 065 to D1 Mohan Bio Oils Limited for its office use with effect from 15 August 2004. The rental paid is Ps.2,50,000 per annum. No formal lease agreement in place documenting the terms of the lease and the Directors intend to negotiate a formal lease in due course.
- 8.4 Pursuant to an agreement with CCP-Company Services, Inc. dated 1 May 2004, D1 Oils Asia Pacific has access to board/conference rooms and limited storage space at 21st Floor Pacific Star Building, Makati Avenue, Makati City, Manila. This agreement expired at the end of August 2004 but has been extended for an additional 60 days until 30 September 2004, on the same terms and conditions as the original agreement. D1 Oils Asia Pacific is currently reviewing its office requirements in Manila.
- 8.5 In March 2004, D1 Oils South Africa was granted a sub-lease by Pivot Holdings of office space at 1st Floor, Sable House, Fairway Office Park, 52 Grosvenor Road, Bryanston. The sub-lease operates on a monthly tenancy and the rental is R.3000 per month (excluding VAT). No formal lease agreement is in place documenting the terms of the lease and the Directors intend to negotiate a formal lease in due course.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or by any other member of the Group during the two years immediately preceding the date of this Agreement and are, or may be, material or have been entered into by any member of the Group at any time and contain a provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

- 9.1 A Placing Agreement dated 21 October 2004 between Bell Lawrie White (1) the Company (2) and the Directors (3) whereby Bell Lawrie White has agreed conditionally, *inter alia*, on Admission becoming effective on 29 October 2004 (and, in any event, not later than 12 November 2004) as agents for the Company to use its reasonable endeavours to effect the Placing. There is no obligation on Bell Lawrie White to itself subscribe for Ordinary Shares.
 - 9.1.1 Under the Placing Agreement, the Company and the Directors have given Bell Lawrie White certain warranties regarding, *inter alia*, the accuracy of the information contained in this document and the Company and the Directors have given certain indemnities. The provisions of the Placing Agreement permit that the agreement may be terminated by Bell Lawrie White prior to Admission in certain circumstances.
 - 9.1.2 The Company has agreed to pay to Bell Lawrie White all the costs and expenses of the Placing, including fees of £150,000 (exclusive of VAT) in respect of corporate finance and £35,000 (exclusive of VAT) in respect of marketing services. In addition, the Company has agreed to pay commission to Bell Lawrie White in respect of the Placing of 3 per cent. (exclusive of VAT) of the aggregate Placing Price of Ordinary Shares subscribed under the Placing.
- 9.2 A Nominated Adviser and Broker Agreement dated 21 October 2004 between the Company (1) and Bell Lawrie White (2) pursuant to which the Company has appointed Bell Lawrie White to act as Nominated Adviser and Broker to the Company for the purposes of AIM commencing with effect from Admission and continuing thereafter. The Company has agreed to pay Bell Lawrie White a fee of £35,000 per annum for its services as Nominated Adviser and Broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company and the Directors in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement is subject to termination on the giving of three months' notice by either the Company or Bell Lawrie White to the other.
- 9.3 The Lock-in Agreements summarised at paragraph 10 of this Part VI.
- 9.4 A loan stock instrument dated 14 September 2004 (as varied by deed of variation dated 15 October 2004 adopted by the Company comprising £1,288,582 Variable Rate Unsecured Loan Stock 2009 (the "**Loan Stock Instrument**")) pursuant to which the Company issued in aggregate £1,288,582 nominal amount of loan stock in varying amounts to Karl Watkin, Alex Worrall, Mark Quinn and related parties.

The principal sum represented by the stock, if not previously redeemed or repaid under any of the provisions of the Loan Stock Instrument will be redeemed by a single instalment on 31 December 2009.

Interest accrues on the loan stock at a rate per annum of 2 per cent. above the base lending rate of Barclays Bank plc from time to time and is payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December.

The principal sum shall become repayable immediately upon the happening of certain events, including Admission, whereupon the principal sum outstanding shall be converted into new Ordinary Shares at the Placing Price.

- 9.5 A technology transfer agreement dated 3 March 2004 made between (1) Stephen Davis and (2) D1 Oils Trading Limited (the “**Technology Transfer Agreement**”) as varied by deed dated 14 September 2004 made between (1) Stephen Davis, (2) Safety Issues (Fabrication) Limited, (“**SIF**”) (3) D1 Oils Trading Limited, (4) D1 Oils plc and (5) Karl Eric Watkin (the “**Assignment and Variation Agreement**”). Pursuant to the terms of the Assignment and Variation Agreement:
- 9.5.1 certain Intellectual Property Rights and Know How (as defined in the Technology Transfer Agreement) passed to D1 Oils Trading Limited on 3 March 2004;
 - 9.5.2 payment of the consideration for the transfer of Intellectual Property Rights and Know How would be effected by payment in cash of £250,000 within 14 days of Admission and the balance would be satisfied by the allotment of such number of ordinary shares in the capital of D1 Oils plc at the Placing Price as is equal to £100,000 (rounded up to the nearest whole share);
 - 9.5.3 in the event that D1 Oils plc does not achieve Admission on or before 1 March 2005 or enters into liquidation or such like (otherwise than for the purposes of a solvent reconstruction or amalgamation), Mr Davis can require the Intellectual Property Rights and Know How to be assigned back to him;
 - 9.5.4 SIF released Mr Davis from certain obligations relating to payments by him to certain creditors of SIF;
 - 9.5.5 SIF assigned to D1 Oils Trading Limited all of its Intellectual Property Rights and Know How in the Technology as defined in the Assignment and Variation Agreement in consideration of the sum of £400,000 to be satisfied by payment in cash within 14 days of Admission;
 - 9.5.6 in the event that D1 Oils plc does not achieve Admission on or before 1 March 2005 or enters into liquidation or such like (otherwise than for the purposes of a solvent reconstruction or amalgamation), SIF can require the Intellectual Property Rights and Know How to be assigned back to it;
 - 9.5.7 Mr Davis and SIF gave warranties to the effect that none of Safety Issues Limited and Centaur Training Limited has any rights interest or claim of any nature in the Intellectual Property Rights and Know How;
 - 9.5.8 the conditions relating to a performance bonus of £250,000 (inclusive of PAYE and National Insurance but exclusive of VAT) relating to the satisfactory operation of the D1 20 were agreed;
 - 9.5.9 D1 Oils Trading Limited agreed to purchase certain parts in consideration of the sum of £70,000 subject to delivery of such parts on or before 26 November 2004;
 - 9.5.10 D1 Oils Trading agreed to offer employment or consultancy arrangements to certain individuals currently engaged by SIF;
 - 9.5.11 Mr Davis and SIF entered into certain covenants not to compete with the business of D1 Oils Trading Limited;
 - 9.5.12 D1 Oils plc guaranteed the obligations of D1 Oils Trading Limited;
 - 9.5.13 SIF undertook to repay to D1 Oils plc the sum of £157,000 on or before the second anniversary of the date of Admission; and
 - 9.5.14 D1 Oils Trading Limited agreed to pay the costs of Mr Davis and SIF up to a maximum amount of £5,000.
- 9.6 An intellectual property rights assignment agreement dated 14 September 2004 between (1) Stephen Davis and (2) D1 Oils Trading Limited (the “**Agreement**”) pursuant to which Stephen Davis assigned to D1 Oils Trading Limited all intellectual property and know how in the D1 20 oil refining technology owned by Stephen Davis and created since 3 March 2004 together with any such rights arising in the future in consideration of the sum of £1.00.
- 9.7 A letter of assignment dated 10 September 2004 between (1) William Bates and (2) D1 Oils Trading Limited pursuant to which William Bates assigned to D1 Oils Trading Limited all the intellectual property rights and know how in the D1 20 oil refining technology owned by William Bates and any such rights arising in the future relating to the D1 20 oil refining technology and any related technology in consideration of the sum of £1.00.

- 9.8 A letter of assignment dated 1 September 2004 between (1) Dr G Arumugam and (2) D1 Oils Trading Limited pursuant to which Dr G Arumugam assigned to D1 Oils Trading Limited all the intellectual property rights and know how developed by and currently owned by Dr G Arumugam relating to the research, development and production of Jatropha seeds and associated fertilisers and any such rights arising in the future relating to the research, development and production of Jatropha seeds and associated fertilisers in consideration of the sum of £1.00.
- 9.9 An agreement dated 25 August 2004 (as varied by deed of variation dated 1 September 2004) between (1) Ecosolve Limited and (2) D1 Oils Trading Limited pursuant to which:
- 9.10.1 Ecosolve Limited assigned to D1 Oils Trading Limited all the intellectual property rights and know how owned by Ecosolve Limited relating to the methodology and technology of the conversion of agricultural waste into a specialised designer compost, fertiliser and soil conditioner (the “**Ecosol Technology**”);
- 9.10.2 D1 Oils Trading Limited granted to Ecosolve Limited a perpetual assignable licence to use the intellectual property rights and know how in the Ecosol Technology; and
- 9.10.3 the parties agreed heads of terms relating to the exploration of a proposal to commercialise and exploit the Ecosol Technology by the establishment of a joint venture company.
- 9.10 An agreement dated 17 May 2004 (as varied by deed of variation dated 17 September 2004) between (1) HIB & Co TOGO and Hibafex-Ventures Ghana (the “**Producer**”) and (2) D1 Oils Trading Limited pursuant to which the Producer has granted an option to D1 Oils Trading Limited to require the Producer to sell to D1 Oils Trading Limited some or all of the Jatropha curcas seed produced at specified plantations (the “**Agreement**”). The price payable for the seeds is US\$80 per metric tonne subject to US inflation rate linked reviews annually. The agreement which is governed by English law is for an initial period of ten years. After expiry of the initial period and on each anniversary date of the Agreement, the Agreement shall be automatically extended for a further period of 5 years unless either party has given the other 12 months’ written notice that such renewal is not to occur.
- 9.11 A joint venture agreement dated 13 August 2004 (as varied by deed of variation dated 2 September 2004) made between (1) Mohan Breweries and Distilleries Limited and (2) D1 Oils Trading Limited (the “**Agreement**”) pursuant to which the parties have entered into arrangements to jointly develop an integrated biodiesel business in India. The obligations of the parties are conditional upon obtaining on or before 31 October 2004 the necessary consents and approvals from the competent national authorities for the joint venture company (named D1 Mohan Bio Oils Limited) to carry on its intended business and for the agreed shareholders. In accordance with the terms of the Agreement, D1 Oils Trading Limited will provide to the joint venture company seed, growing medium, refining technology, research and development, training materials and sale and export of crude oil or refined biodiesel. Mohan Breweries and Distilleries Limited will provide an option to contract land of up to 5 million hectares between 2004 and 2009, marketing support, personnel, management and corporate office space.
- 9.12 An agreement dated 18 May 2004 made between (1) Anuanom Industrial Projects Limited and (2) D1 Oils Trading Limited pursuant to which Anuanom Industrial Projects Limited will cultivate and plant Jatropha trees up to germination level on 12,000 hectares of land to be leased to D1 Oils Trading Limited and which is situated in the Brong Ahafo Region of the Republic of Ghana. Anuanom Industrial Projects Limited will receive US\$145 per hectare of land planted. In the event that the average seed yield per annum exceeds 13 tonnes per hectare, a royalty fee of US\$2 per tonne of seeds will be payable on all seed yields in excess of 13 tonnes.
- 9.13 An agreement dated 12 August 2004 made between (1) Aditya Bio-Tech Lab and Research (PVT) Limited and (2) D1 Oils Trading Limited pursuant to which Aditya Bio-Tech Lab and Research (PVT) Limited will incrementally supply 50 tonnes of Jatropha seeds from regions in India at a price of 100 rupees per kilogramme and 25,000 Jatropha seedlings produced by micro propagation for testing and export at locations in Africa, South East Asia and India at a price of 18 rupees per seedling.
- 9.14 An agreement dated 4 May 2004 made between (1) Climate Change Advisory Limited and (2) D1 Oils Trading Limited pursuant to which D1 Oils Trading Limited engaged Climate Change Advisory Limited to advise on raising capital for D1 Oils Trading Limited. Climate Change Advisory Limited is entitled to be paid a retainer of £25,000. In addition, D1 Oils Trading Limited has agreed to pay a fee of £250,000 (exclusive of VAT) to Climate Change Advisory Limited following Admission.
- 9.15 An agreement dated 30 April 2004 made between (1) Grovefield Finance Limited and (2) D1 Oils Trading Limited pursuant to which Grovefield Finance Limited acquired the D1 20 biodiesel production plant and leased it back to D1 Oils Trading Limited. The lease is for an initial term of 60 months (“**Initial Term**”), continuing thereafter until ended by either party on service of 3 months’ written notice. Advance rental of £2,416.67 (plus VAT) is payable for the first 12 months of the lease. For the remainder of the Initial Term, the

rental is £24,500.00 (plus VAT) per month. At the end of the Initial Period, the annual rental is £24,500.00 (plus VAT).

- 9.16 An agreement dated 17 May 2004 (as varied by a deed of variation dated 7 September 2004) between (1) Biodiesel-1 Ghana Ltd (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer will store and crush Jatropha seeds supplied by third parties contracted with D1 Oils Trading Limited and will provide transportation and logistic operations in relation to the processing and delivery of Jatropha curcas crude oil. The price payable for the crude Jatropha oil is US\$95 per tonne, which will be reviewed and increased annually in line with the official United States inflation rate. The agreement, which is governed by English law, is for an initial period of 10 years. After the expiration of the initial period, the agreement shall be automatically extended for a further period of five years unless either party has given the other 12 months’ written notice on or before 16 May 2013 that such renewal is not to occur.
- 9.17 An agreement dated 18 May 2004 between (1) Ghana Bio Energy Company Limited (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer will supply to D1 Oils Trading Limited 8,000 tonnes per annum of Jatropha curcas crude oil for production into biodiesel oil. The price payable for the Jatropha curcas crude oil is US\$255 per tonne. The price will increase by 10 per cent. upon receipt of the first 8,000 tonnes of oil, by 8 per cent. on the third anniversary of the agreement and thereafter by the higher of an annual rate of 5 per cent. and the official United States inflation rate. The agreement, which is governed by Ghanaian law, is for an initial period of ten years.
- 9.18 An agreement dated 14 August 2004 (as varied by a deed of variation dated 31 August 2004) between (1) M/s. The Agni Nets (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer will supply to D1 Oils Trading Limited 8,000 tonnes per annum of Jatropha curcas crude oil. The price payable for the Jatropha curcas crude oil is US\$270 per tonne, which will be reviewed and increased annually in line with the official United States inflation rate. The agreement, which is governed by Indian law, is for an initial period of 10 years. After expiration of the initial period, the agreement shall be automatically extended for a further period of five years unless either party has given the other 12 months’ written notice on or before 16 May 2013 that such renewal is not to occur.
- 9.19 An agreement dated 18 May 2004 (as varied by a deed of variation dated 7 September 2004) between (1) Biodiesel-1 Ghana Ltd (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer has granted an option to D1 Oils Trading Limited to require the Producer to sell to D1 Oils Trading Limited some or all of the Jatropha curcas seed produced on the 12,000 hectares of land situated at the Ashanti/Brong Ahafo region of the Republic of Ghana. The price payable for the Jatropha curcas seed is US\$205 per tonne, which will be reviewed and increased annually in line with the official United States inflation rate. The agreement, which is governed by Ghanaian law, is for an initial period of 20 years.
- 9.20 An agreement dated 23 July 2004 (as varied by a deed of variation dated 12 September 2004) between (1) Biodiesel-1 Malawi Ltd (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer has granted an option to D1 Oils Trading Limited to require the Producer to sell to D1 Oils Trading Limited some or all of the Jatropha curcas seed produced at certain specified plantations in Malawi. The price payable for the Jatropha curcas seed is US\$100 per tonne, which will be reviewed and increased annually in line with the official United States inflation rate. The agreement, which is governed by English law, is for an initial period of 20 years.
- 9.21 An agreement dated 8 March 2004 between (1) Jatropha Curcas Biodiesel Project Namibia CC (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which D1 Oils Trading Limited has agreed to purchase the first 150,000 tonnes per annum of Jatropha curcas seeds produced by the Producer at certain specified plantations in Namibia and Angola. The price payable for the Jatropha curcas seed is the rand equivalent of US\$150 per tonne, which will be increased annually by 7.5 per cent. After the expiration of the initial period and on each anniversary of the date of the agreement, the agreement shall be automatically extended for a further period of one year unless either party has given to the other nine months’ written notice that such renewal is not to occur. The agreement, which is governed by the law of Namibia, is for an initial period of 15 years.
- 9.22 An agreement dated 16 July 2004 between (1) Stancom Tobacco Services Limited (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which D1 Oils Trading Limited agreed to purchase 100 per cent per annum of the Jatropha curcas seeds produced at certain specified plantations. The price payable for the Jatropha curcas seeds is US\$50 per tonne. The price will increase by 5 per cent upon receipt of the first 20,000 tonnes of seeds. On each anniversary thereafter the price will increase by 5 per cent or the official United States inflation rate, whichever is higher. The agreement, which is governed by English law, is for an initial period of 10 years
- 9.23 An agreement dated 21 August 2004 (as varied by a deed of variation dated 13 September 2004) between Bio Diesel Corporation B.F. Ltd (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer has granted an option to D1 Oils Trading Limited to require the Producer to sell to D1 Oils Trading Limited some or all (depending on the quality) of the Jatropha curcas seeds produced on the 10,000 hectares of land comprising the pilot plantation site, and further sites comprising an additional 990,000 hectares to be

determined following an appraisal of the pilot. The price payable for the *Jatropha curcas* seeds is US\$50 per tonne, which will be reviewed and increased annually in line with the official inflation rate of the Republic of France. The agreement, which is governed by English law, is for an initial period of 20 years.

- 9.24 An agreement dated 21 August 2004 (as varied by a deed of variation dated 13 September 2004) between (1) Bio Diesel Corporation B.F. Ltd (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which D1 Oils Trading Limited has agreed to purchase 100 per cent per annum of the crude *Jatropha curcas* oil produced from certain specified plantations. The price payable for the crude *Jatropha curcas* oil is US\$115 per tonne, which will be reviewed and increased annually in line with the official inflation rate of the Republic of France. The agreement, which is governed by English law, is for an initial period of 20 years.
- 9.25 An agreement dated 12 August 2004 (as varied by a deed of variation dated 13 September 2004) between (1) Mafikeng Bio-diesel Company (Pty) Limited (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer has granted an option to D1 Oils Trading Limited to require the Producer to sell to D1 Oils Trading Limited some or all of the *Jatropha curcas* seeds produced at certain specified plantations. The price payable for the *Jatropha curcas* seeds is US\$50 per tonne, which will be reviewed and increased annually in line with the official United States inflation rate. The agreement, which is governed by English law, is for an initial period of 10 years.
- 9.26 An agreement dated 12 August 2004 (as varied by a deed of variation dated 13 September 2004) between (1) Mafikeng Bio-diesel Company (Pty) Limited (the “**Producer**”) and (2) D1 Oils Trading Limited, pursuant to which the Producer has granted an option to D1 Oils Trading Limited to require the Producer to sell to D1 Oils Trading Limited some or all of the crude *Jatropha* oil produced and processed at certain specified plantations. The price payable for the *Jatropha curcas* crude oil is US\$115 per tonne, which will be reviewed and increased annually in line with the official United States inflation rate. The agreement, which is governed by English law, is for an initial period of 10 years.
- 9.27 Heads of terms dated 14 July 2004 made between (1) The Coimbatore District Co-operative Milk Producer’s Union Limited (“**Aavin**”) and (2) D1 Oils Trading Limited, D1 Oils Trading and Aavin have agreed in principle to form a joint venture (or similar association) through which it is intended they will develop an Indian based feedstock supply of *Jatropha* seeds and deal with all matters relating to the production and marketing of biodiesel. These heads of terms are non-binding.
- 9.28 By a memorandum of understanding dated 11 September 2003, D1 Oils (UK) Ltd and The Philippine Association of Agriculturists (“**PAA**”) agreed to undertake a joint assessment study of the viability and sustainability of a biodiesel project in the Philippines. Under the terms of the memorandum of understanding D1 Oils (Uk) Ltd will provide full technical assistance and support to PAA in connection with this study.
- 9.29 By a memorandum of understanding dated 21 April 2004, D1 Oils Trading Limited and The Philippine Coconut Authority (“**PCA**”) agreed to jointly organise and implement a coconut methyl ester (“**CME**”) processing and production project that will be piloted in Bondoc Peninsula in the Quezon province to test the viability and sustainability of D1 Oils Trading Limited’s technology for CME production. The parties agreed to organise a joint technical working group to develop a “work and financial plan” and to identify sources of funding for the project within 90 days of the signing of the memorandum.
- 9.30 By a memorandum of agreement dated 15 November 2003, The Mindanao Cultural and Economic Development Foundation, Inc. (“**MCEDF**”), representing the Royal House of Masiu and on behalf of the Royal Sultanates of Mindanao and Sulu, and D1 Oils Trading Limited agreed to work together to establish a biodiesel operation in Mindanao and Sulu. The terms of the memorandum are effective for a period of one year, ending on 14 November 2004.

10. ARRANGEMENTS WITH SHAREHOLDERS

10.1 Lock-in Agreements

Each of the Directors and certain other shareholders have undertaken to the Company and Bell Lawrie White not to dispose of the Ordinary Shares held by each of them and their connected parties following Admission at any time prior to the date falling twelve months from the date of Admission and then for the next six months after the first anniversary of Admission (subject to certain limited exceptions including transfers to family members or to trustees for their benefit and disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) without the prior written consent of Bell Lawrie White (the “**Lock-in Period**”). They have further undertaken to the Company and to Bell Lawrie White that following the end of the Lock-in Period they will only dispose of Ordinary Shares held by them or their connected persons through Bell Lawrie White (or such other company as may be broker to the Company at that time) although Bell Lawrie White may refuse to permit a transfer of Ordinary Shares if it would disrupt the orderly marketing of the Company’s Ordinary Shares.

- 10.2 Certain other shareholders have entered into orderly marketing arrangements with Bell Lawrie White.

11. LITIGATION

- 11.1 No member of the Group is currently engaged in any litigation or arbitration proceedings which have or may have a significant effect on the financial position of the Group and so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

12. WORKING CAPITAL

- 12.1 The Company is of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Group will, from the time the Ordinary Shares are admitted to AIM, be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

13. INTELLECTUAL PROPERTY

Registered Rights

- 13.1 D1 Oils Trading has applied to register the following trade marks:

Trade Mark	Registration Classes	Date of Application and Application No.	Country of Application
'D1'	4 (biodiesel) and 7 (oil and diesel refining machines, apparatus and equipment)	18 May 2004; 2363473	United Kingdom
'D1'	4 (biodiesel) and 7 (oil and diesel refining machines, apparatus and equipment)	24 May 2004; 4-2004-004369	Philippines
'D1'	4 (biodiesel) and 7 (oil and diesel refining machines, apparatus and equipment)	21 May 2004; 2004/08144 and 2004/08145	South Africa

- 13.2 D1 Oils Trading has registered the following domain names:

Domain Name	Registration Date	Renewal Date
d1oils.co.uk	02 July 2004	02 July 2006
d1oils.com	02 July 2004	02 July 2006
d1oils.net	02 July 2004	02 July 2006
d1plc.co.uk	02 July 2004	02 July 2006
d1plc.net	02 July 2004	02 July 2006

- 13.3 The Group's website is accessed through the domain name www.d1plc.com. This is registered in the name of D1 Oils Trading Limited and the registration is due for renewal on 26 March 2007.

Other Material Unregistered Rights

- 13.4 D1 Oils Trading has developed certain know how and intellectual property rights in developing and improving the refining technology and machinery which it uses to refine biodiesel. All third parties who have been involved in this development and improvement, including all consultants, have entered into agreements assigning any intellectual property which they have created to D1 Oils Trading. Similarly, any individuals who have been involved in the development of Jatropha seed have entered into agreements assigning any arising intellectual property to D1 Oils Trading.

D1 Oils Trading has also been involved, together with a company called Ecosolve Limited, in a project in Indonesia to develop the growing medium Ecosol, which is used to increase the productivity, yield and sustainability of crops. D1 Oils Trading has entered into an agreement under which all intellectual property rights owned by Ecosolve Limited in the technology which is used to develop Ecosol have been assigned to D1 Oils Trading.

The Company intends to undertake a strategic review to assess the extent to which the intellectual property rights which have been developed and acquired can be registered, and the benefits of obtaining such registration, including what the practical commercial benefits of obtaining any registrations will be in all the circumstances and whether such benefits are sufficient to justify the costs of registration.

14. TAXATION

- 14.1 The following paragraphs, which are intended as a general guide based on current legislation and Inland Revenue practice as at the date of this document, summarise advice received by the Directors about the tax position of shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account (“ISA”)). Any shareholder who is in doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.

Taxation of the Company

- 14.1.1 The Company and those companies in the Group which are resident in the UK for corporation tax purposes will be liable to corporation tax at rates (depending upon the level of their profits for each accounting period) currently of between 0 per cent. and 30 per cent. Those companies in the group which are not resident in the UK for corporation tax purposes will be liable to corporate income tax at the rates applicable to each relevant fiscal regime, and, in the case of India, a surcharge and education cess tax. The rates of tax currently applicable are 30 per cent. in South Africa, 32 per cent. (a rate of 20 per cent. applicable to interest derived from currency bank deposits) in the Philippines and 31.365 per cent. in India.

Taxation of dividends

- 14.1.2 Under UK taxation legislation, no tax is withheld at source from dividend payments made by the Company.

An individual shareholder who is resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will currently be entitled to receive a tax credit equal to 10 per cent. of the combined total of the dividend paid and the tax credit. The individual will be taxable upon the total of the dividend and the related tax credit which will be regarded as the top slice of the individual’s income. An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 22 per cent.) will pay tax on the dividend and the related tax credit at the dividend income ordinary rate, currently 10 per cent. Accordingly, the tax credit will be treated as satisfying the individual’s liability to income tax in respect of the dividend. To the extent that the dividend and related tax credit (taken together with other taxable income) exceeds the individual’s threshold for the higher rate of income tax the individual will, to that extent, pay tax on the dividend and related tax credit at the dividend income upper rate (currently 32.5 per cent.). Accordingly a shareholder who is a higher rate tax payer will have further income tax to pay at the rate of 22.5 per cent. on the dividend and related ordinary rate tax credit (equivalent to 25 per cent. of the net dividend). Tax credits are generally no longer repayable to shareholders with no tax liability.

Subject to exceptions for certain insurance companies and companies which hold shares as trading stock, a shareholder that is a company resident (for tax purposes) in the United Kingdom and that receives a dividend paid by the Company will not be liable to corporation tax or income tax on the dividend.

Trustees of discretionary trusts, liable to account for income tax at the rate applicable to trusts, will be liable to tax at the Schedule F Trust rate of 32.5 per cent. on the dividend and related tax credit.

Shareholders who are resident in countries other than the UK may be entitled to a credit for all or a proportion of the associated tax credit. Shareholders not resident in the UK should consult their own tax adviser on the application of such provisions and the procedure for claiming relief.

Taxation on Capital Gains for Shareholders

- 14.1.3 If a shareholder disposes of all or any of his or its Placing Shares, he or it may, depending on the shareholder’s particular circumstances, incur a liability to taxation on chargeable gains.

Stamp duty and Stamp Duty Reserve Tax (“SDRT”)

- 14.1.4 No liability to stamp duty or SDRT should arise on the allotment of Placing Shares by the Company under the Placing.

Subsequent sales of Ordinary Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration rounded up to the nearest £5.

Subsequent sales of Ordinary Shares outside CREST will generally be liable to *ad valorem* SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration rounded up to the nearest £5. However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it became unconditional) the stamp duty paid will cancel the SDRT liability and any SDRT paid can be recovered.

The information in this paragraph 14 above is a general summary of certain tax reliefs which may be available and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

15. GENERAL

- 15.1 The accounting reference date of the Company is 31 December.
- 15.2 Bell Lawrie White has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.
- 15.3 Climate Change Advisory Limited has given and not withdrawn its consent to the issue of this document with the inclusion of its name in the form and context in which it is included.
- 15.4 Bell Lawrie White which is a member of, and is regulated by, the Financial Services Authority has been appointed as nominated adviser and broker to the Company and has its registered office at 5 Giltspur Street, London EC1A 9BD.
- 15.5 The estimated amount of the total costs and expenses of the Placing and Admission, including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses, which are all payable by the Company is £1.365 million (excluding VAT). This amount includes an estimated placing commission of £390,000 payable by the Company to Bell Lawrie White.
- 15.6 In the opinion of the Directors there are no minimum amounts and no amount is to be provided otherwise than from the Placing in respect of the matters specified in paragraph 21(a)(i) to (iv) of Schedule 1 to the POS Regulations.
- 15.7 The financial information contained in this document relating to the Group does not constitute full statutory accounts as referred to in Section 240 of the Act. The statutory accounts of D1 Oils Trading Limited and its UK subsidiary for the 49 weeks ended 31 December 2003 will be delivered to the Registrar of Companies. The accounts of overseas companies are not required to be delivered to the Registrar of Companies. The non statutory accounts of D1 Oils Trading Limited and D1 Oils plc will not be delivered to the Registrar of Companies. In respect of each of such accounts, the auditors gave unqualified reports and no statement under Section 237(2) or (3) of the Act was made.
- 15.8 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since the date on which the last audited financial statements referred to in Part III of this document were made up.
- 15.9 The net proceeds of the Placing are estimated at approximately £11,635,000.
- 15.10 Of the Placing Price, 1p represents the nominal value of each Ordinary Share and 159p represents a premium.
- 15.11 Save in connection with the application for Admission, none of the Ordinary Shares have been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.
- 15.12 No person (other than the professional advisers referred to in this Prospectus and the former shareholders of D1 Oils Trading pursuant to the share for share exchange referred to in paragraph 3.4 of Part IV of this document) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 15.13 Deloitte & Touche LLP has given and not withdrawn their written consent to the inclusion of their report on the Company in the form set out in Part III of this document and accept responsibility for such report in accordance with paragraph 45(1)(b) of Schedule 1 to the Regulations and the inclusion of their letter in Part III of this document and the references to such report and letter in the form and context in which they appear.

- 15.14 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters issued by Bell Lawrie White until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 12 November 2004 application monies will be returned to applicants at their risk without interest.
- 15.15 So far as the Directors are aware, there are no legal or arbitration proceedings active, pending or threatened against or being brought by the Company or any member of its group which are having or may have a significant effect on the Company's financial position.
- 15.16 Save as disclosed in this document, there are no patents or other intellectual property rights, licenses or particular contracts which are or may be of fundamental importance to the Group's business.
- 15.17 Save as disclosed in this document, there are no investments in progress which are significant.
- 15.18 The existing issued Ordinary Shares and the Placing Shares will be in registered form and will be in uncertificated form in CREST. Definitive share certificates are not expected to be despatched to those places who have elected to receive Ordinary Shares in uncertificated form if, and only if, that person is a "system member" (as defined in The Uncertificated Securities Regulations 1995) in relation to CREST. For those places who elect to receive Ordinary Shares to be issued pursuant to the Placing in certificated form, share certificates are expected to be despatched to such applicants by post at their risk on Admission. Temporary documents of title will not be issued in connection with the Placing.
- 15.19 Dividends on the Ordinary Shares will be paid to those holders of Ordinary Shares on the register of members on the record date for such dividend. Following the payment of any dividend in respect of the year ended 31 December 2004, such record date will normally be between two and five weeks before the date fixed for payment of such dividend.
- 15.20 Save as disclosed in this document, no payment (including commissions) discounts, brokerages or other special terms has been or is to be paid or given to any promoter of the Company or granted in connection with the issue or sale of any share or loan capital of the Company.
- 15.21 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles of Association permit the holding and transfer of shares under CREST. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

16. AVAILABILITY OF PROSPECTUS

- 16.1 Copies of this document will be available during normal business hours on any weekday (except Saturdays and public holidays) free of charge from the Company's registered office and at the offices of Bell Lawrie White, 48 St. Vincent Street, Glasgow G2 5TS from the date of this document for a period of one month after Admission.

17. DOCUMENTS AVAILABLE FOR INSPECTION

- 17.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Pinsents, Dashwood House, 69 Old Broad Street, London EC2M 1NR up to and including 22 November 2004:
- 17.1.1 The Memorandum and Articles of Association of the Company;
 - 17.1.2 the consent letters referred to in paragraph 15 of this Part IV;
 - 17.1.3 the service agreements referred to in paragraph 6 of this Part IV;
 - 17.1.4 the rules of the Plan;
 - 17.1.5 the material contracts referred to in paragraph 9 of this Part IV;
 - 17.1.6 the report contained in Part III of this document.

Dated 21 October 2004

LONDON

TEESSIDE

JOHANNESBURG

MANILA

DELHI



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