



## D1 Oils plc Interim report 2005



D1 Oils plc

“Alternative energy sources are a global imperative. Our business addresses the growing worldwide demand for cleaner, low carbon fuel. Our primary feedstock is *Jatropha curcas*, a hardy bush which does not require arable land. *Jatropha* seeds are crushed to produce vegetable oil for refining into biodiesel. We are building a global supply chain to harvest *Jatropha* oil from D1 plantations across the developing world and to refine *Jatropha* and other third party vegetable oil feedstocks into biodiesel using our proprietary technology.”

Philip Wood, Chief Executive

D1 Oils plc, the UK-based global producer of biodiesel from renewable energy crops, is the owner of technical, marketing, logistical and other intellectual property related to the establishment, development and harvesting of *Jatropha* plantations, the extraction of oil from the harvested seed and the production of biodiesel and other valuable by-products from *Jatropha* and other vegetable oils.

# Growing



## Operational highlights

- Agronomy programme underway to secure consistent, high yields of jatropha oil with support of expert plant breeders and tissue culture specialists
- Increased jatropha planting target of 267,000 hectares by end of 2006 remains on track
- Bank loan financing arranged for jatropha planting by Indian farmers increases threefold to approximately £45m
- Successful testing of refinery technology on alternative feedstocks opens up new opportunities for deployment of D1 20
- Commenced large scale D1 200 refinery programme
- Strengthened management team

# Energy Solutions

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## Chairman's statement

# We are well positioned to meet the demand for biodiesel emerging in the global energy economy

I am pleased to announce our results for the six months ended 30 June 2005 and to be able to report on the progress the Company is making in establishing itself as a leading global producer of biodiesel and biodiesel feedstock.

Having raised an additional £24.4m net in funding in June, we are now able to deliver our expanded jatropha planting programme and to advance development and deployment of our proprietary refinery technology. The flexibility of our technology is enabling us to diversify our feedstock and produce biodiesel ahead of the first jatropha harvests.

Our financial position reflects the fact that we are building our business and investing for future growth. In the six months ended 30 June 2005, the Company made a loss on ordinary activities before taxation of £3.1m, which represents a loss per ordinary share of 14.25p. The net cash balance at the end of the period was £26.4m. This excludes £3.5m loaned by the Company to the Employee Benefit Trust, which was substantially repaid in July.

Significant progress has been achieved in the business over the last twelve months, and I am delighted that its evolution has been matched

by the strengthening in breadth and depth of our management team. The Company is developing from a young business driven primarily by entrepreneurial and individual decision making, to a more established, team-focused organisation.

We are delighted that Elliott Mannis chose to join us as Chief Financial Officer. Steve Douty has been promoted to the Board as Regional Director, in recognition of his major contribution to the development of our global business model. Ian Stokes has recently joined as Business Development Director, and it is expected that he will join the Board by the end of the year. Chris Chatterton and Demetri Pappadopoulos have been appointed to head our operations in South East Asia and Africa respectively.

Mark Quinn, a colleague, close friend and founder director of D1, is retiring from the Board. Mark has made a major contribution to establishing the D1 business. The Board is very grateful to him for his efforts, and we wish him well for the future.

The Board has appointed Dr Clive Morton to the position of Deputy Chairman and Senior Independent Director. At the same time, Clive takes responsibility for the Nomination Committee and hands over Chairmanship of the Audit Committee to Alex Worrall. Barclay Forrest remains Chair of the Remuneration Committee. My confidence in the enlarged team's ability to run the business is measured by my decision to move from Executive to Non-Executive Chairman with immediate effect.

We remain confident in the prospects for the business. Our strategy continues to be supported by national policy initiatives to reduce pollution and transport emissions and by growing international awareness, demonstrated at the recent G8 Summit, of the need to promote sustainable development in the world's poorer countries. These trends are strengthened by the increasing demand for oil and oil related products and by the recognition of the need to diversify fuel supplies in a tightening oil market. We are well positioned to meet the demand for biodiesel emerging in the global energy economy.

A detailed business review is contained in the Chief Executive's report which follows.

**Karl Watkin** MBE

Chairman

28 September 2005

## Chief Executive's report

# Our business addresses the growing worldwide demand for cleaner, low carbon fuel

### Planting strategy

During the period, we increased our planting target for jatropha to the end of the 2006 planting season from 37,500 hectares to 267,000 hectares. We expect the bulk of our planting to take place next year. We are pioneers in the planting of jatropha on a commercial scale and we operate in the often challenging environmental and business conditions common in developing countries. Where such challenges have arisen we have addressed them promptly. We have put in place a solid foundation on which to scale up planting in order to achieve our increased target.

### Agronomy strategy

Jatropha is an under developed crop and initial yields from plantations with indigenous wild seeds may be modest. However, the application of advanced agronomy techniques offers the potential for consistent and significantly higher yields. We are already at the forefront of this research and we have collected high yielding varieties from around the world which are being tested at our Product Development Centre in Coimbatore, India. We are now undertaking a major agronomy programme, working with leading international plant breeders and tissue culture specialists.

The objective is to develop further our own high yielding plant varieties and produce quality planting seeds in volumes sufficient to meet the demand of significantly accelerated planting targets over the coming years.

### Refining strategy

Our D1 20 development refinery, currently located in the North West of England, completed 24x7 trials to produce biodiesel meeting the EU's EN 14214 standard from rapeseed oil. We have now successfully completed trials of RBD palm olein, and we expect to have tested a number of other oils by the end of the year. These trials demonstrate the flexibility of our proprietary refining technology to deal with a range of potential feedstocks. We have a significant opportunity to leverage this capability to build our refining operations more quickly ahead of the availability of jatropha in scale, and to produce biodiesel blends that optimise output characteristics for different markets. We plan to transfer the D1 20 test refinery to new premises on Teesside around the turn of the year. This will bring together our refinery research, testing and assembly operations and become a showcase for potential partners. Our North East operational staff will also be based there.

During the period, we raised the number of D1 20s we aim to build by the end of 2006 to nine. We now expect that four of these will be deployed progressively during the first half of 2006 and will be fully commissioned shortly thereafter to produce biodiesel. Manufacture of these units has commenced. Given the significant opportunities emerging for the large scale refining of a range of feedstocks, we are accelerating our development programme for the D1 200, which will provide an approximately tenfold increase in capacity over the D1 20.

We have completed a pilot toll processing programme in Belgium with Dow Haltermann, a Dow business unit, whereby EN 14214 biodiesel was produced from rapeseed oil and sold to customers in Germany. This is an important first step in developing our supply capability to the continental European market. It has enabled us to build experience in logistics and quality control, which will support the eventual supply of jatropha-based biodiesel to this market.

#### **Carbon credits**

D1 refineries operating in developing countries should qualify for credits by enabling fuel switching from fossil fuel to biodiesel. In addition our jatropha agroforestry and planting programmes have the potential to produce carbon credits through the CO<sub>2</sub> absorbed by the jatropha trees. We are working with leading technical advisers to ensure that these credits are secured.

#### **Global operations**

Business in India is moving ahead strongly, particularly in agronomy research and jatropha planting. South East Asia continues to show

significant potential for jatropha planting and refining of alternative feedstocks. Encouraging developments in Southern Africa have more than offset slower progress in the Middle East and North Africa. Despite initial delays, China remains a key part of our long term strategy.

#### **India**

We have a number of relationships, of which the most significant is the large scale contract farming programme undertaken through our joint venture, D1 Mohan Bio Oils. This comprises the largest component of our increased two year global planting target. After a slow start, planting is progressing rapidly. In addition to the previously announced £15m in financing from the State Bank of India, D1 Mohan has arranged loan finance from Indian Bank for farmers in Tamil Nadu, Andhra Pradesh and Chhattishgarh for an initial 100,000 hectares of planting. This increases threefold to approximately £45m the total bank funding available for Indian farmers contracted with D1 Mohan.

#### **South East Asia**

Government initiatives to introduce biodiesel blends for transport are underway in Indonesia, Malaysia, the Philippines and Thailand. The region has significant resources of palm and coconut crops that can produce vegetable oil for biodiesel refining and conditions in many areas are suitable for jatropha planting, particularly where land requires regeneration following deforestation. Following the appointment of Chris Chatterton as head of operations in the region, we are strengthening our existing network of offices and relationships to pursue aggressively opportunities for commercial planting of jatropha and the application of D1's technology to refine other vegetable oil feedstocks into biodiesel.

## Chief Executive's report (continued)

### China

The potential demand for biodiesel, the suitability of its climate for jatropha and the need to create jobs in rural areas make China a very promising market. The financing partner for our initial joint venture did not deliver the funding promised and the agreement therefore lapsed. We maintain our good relationship with Sichuan University and with senior level government contacts, and we are now in early stage discussions with other potential joint venture partners.

### Middle East and Africa

Legislative changes in South Africa will introduce compulsory biodiesel blends by 2007 and the government is expected to announce subsidies for biodiesel production early in 2006. This will provide a very positive environment for deployment of our refinery technology, and our first D1 20 refinery is expected to be deployed in the first quarter of 2006. Until sufficient jatropha feedstock is available, we will accelerate refining operations using alternative feedstocks such as palm olein and soya oil. Our strengthened African management team is progressing our existing planting relationship with Stancom Tobacco in Zambia, and developing new commercial planting in Cameroon, Malawi, Mozambique, Swaziland and Tanzania. These developments more than offset slower than hoped for progress in the Middle East and North Africa. We have also found the logistics of harvesting wild seeds in Ghana and Madagascar to be uneconomic.

### Finance review

The significant progress and development in the business is reflected in the financial results for the six months ended 30 June 2005.

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

Total Group turnover of £32k (nil previously) in the six months to 30 June 2005 arose from the sale of biodiesel produced by the test refinery during trials.

Operating expenses of £3.2m (2004: £0.9m) reflect the growth in the management team and efforts expended on business development. The cost of feedstock and chemicals purchased for refinery testing, from which the biodiesel produced was not subsequently sold, has been reflected as a development cost within operating expenses. Interest earned of £0.2m relates to the monies on deposit and arising from the share placing completed in June.

The loss on ordinary activities before and after taxation was £3.1m (2004: £0.9m) and the loss per ordinary share was 14.25p (2004: £11.68). As losses were incurred, there was no corporation tax payable.

Cash on hand at 30 June was £26.4m (2004: £9.6m). The net inflow in the six months to 30 June was £16.9m (2004: £22k). The most significant element in the cash flow was the proceeds from the share placing which was completed in June. £25.8m was raised before expenses of £1.4m.

A further £3.5m was received in July arising from the disposal of shares in the Company by the D1 Oils Employee Benefit Trust. The shares held by the Trust were included in the balance sheet at 30 June and shown as own shares held within capital and reserves.

**Philip Wood**

Chief Executive

28 September 2005

## Consolidated profit and loss account

Unaudited results for the six months ended 30 June 2005

	Note	Six months ended 30 June 2005 Unaudited £000	Six months ended 30 June 2004 Unaudited £000	Year ended 31 December 2004 Audited £000
Turnover: Group and share of joint venture		32.1	—	—
Less: share of joint venture		(0.9)	—	—
<b>Group turnover</b>		<b>31.2</b>	—	—
Cost of sales		(24.5)	—	—
<b>Gross profit</b>		<b>6.7</b>	—	—
Operating expenses		(3,236.2)	(913.4)	(3,024.8)
<b>Operating loss</b>		<b>(3,229.5)</b>	(913.4)	(3,024.8)
<b>Share of operating loss of joint venture</b>		<b>(17.0)</b>	—	—
<b>Group operating loss</b>		<b>(3,246.5)</b>	—	—
Interest receivable and similar income		168.6	—	77.2
Interest payable and similar charges		—	—	(116.7)
<b>Loss on ordinary activities before taxation</b>	3	<b>(3,077.9)</b>	(913.4)	(3,064.3)
Tax on loss on ordinary activities		—	—	—
<b>Loss on ordinary activities after taxation</b>		<b>(3,077.9)</b>	(913.4)	(3,064.3)
Equity minority interests		—	—	—
<b>Retained loss for the financial period withdrawn from reserves</b>		<b>(3,077.9)</b>	(913.4)	(3,064.3)
<b>Loss per ordinary share</b>				
Basic and diluted loss per ordinary share	4	14.25p	£11.68	47.53p

## Consolidated statement of total recognised gains and losses

Unaudited results for the six months ended 30 June 2005

	<b>Six months ended 30 June 2005 Unaudited £000</b>	Six months ended 30 June 2004 Unaudited £000	Year ended 31 December 2004 Audited £000
<b>Retained loss for the financial period</b>	<b>(3,077.9)</b>	(913.4)	(3,064.3)
Currency translation difference	<b>1.0</b>	(1.9)	—
<b>Total recognised loss for the financial period</b>	<b>(3,076.9)</b>	(915.3)	(3,064.3)

## Reconciliation of movement in equity shareholders' funds/(deficit)

Unaudited results for the six months ended 30 June 2005

	<b>Six months ended 30 June 2005 Unaudited £000</b>	Six months ended 30 June 2004 Unaudited £000	Year ended 31 December 2004 Audited £000
Retained loss for the financial period	<b>(3,077.9)</b>	(913.4)	(3,064.3)
Issue of shares by the Company (net of expenses)	<b>24,425.1</b>	484.5	13,023.4
Purchase of own shares	<b>(3,479.8)</b>	—	—
Merger reserve adjustment	<b>—</b>	—	437.7
Currency translation difference	<b>1.0</b>	(1.9)	—
<b>Net increase/(decrease) in equity shareholders' funds</b>	<b>17,868.4</b>	(430.8)	10,396.8
Opening equity shareholders' funds/(deficit)	<b>9,692.3</b>	(704.5)	(704.5)
Closing equity shareholders' funds/(deficit)	<b>27,560.7</b>	(1,135.3)	9,692.3

# Consolidated balance sheet

Unaudited results as at 30 June 2005

	Note	As at 30 June 2005 Unaudited £000	As at 30 June 2004 Unaudited £000	As at 31 December 2004 Audited £000
<b>Fixed assets</b>				
Intangible		65.8	420.2	67.6
<b>Investment in joint venture</b>				
– Share of gross assets		28.1	—	—
– Share of gross liabilities		(45.1)	—	—
<b>– Share of net assets</b>		<b>(17.0)</b>	—	—
Tangible		1,421.6	807.1	831.1
		<b>1,470.4</b>	1227.3	898.7
<b>Current assets</b>				
Debtors		793.9	216.9	79.3
Stock		308.0	—	—
Cash at bank and in hand		26,449.9	25.6	9,562.4
		<b>27,551.8</b>	242.5	9,641.7
<b>Creditors:</b> amounts falling due within one year		<b>(1,376.8)</b>	(1,846.3)	(816.2)
<b>Net current assets/(liabilities)</b>		<b>26,175.0</b>	(1,603.8)	8,825.5
<b>Total assets less current liabilities</b>		<b>27,645.4</b>	(376.5)	9,724.2
<b>Creditors:</b> amounts falling due after more than one year		<b>(84.7)</b>	(758.8)	(31.9)
<b>Net assets/(liabilities)</b>	3	<b>27,560.7</b>	(1,135.3)	9,692.3
<b>Capital and reserves</b>				
Share capital	5	312.4	125.0	214.9
Share premium	5	37,136.0	359.4	12,808.4
Merger reserve	5	437.7	—	437.7
Own shares held	5	(3,479.8)	—	—
Profit and loss reserve	5	(6,845.6)	(1,619.7)	(3,768.7)
<b>Total equity shareholders' funds/(deficit)</b>		<b>27,560.7</b>	(1,135.3)	9,692.3

# Consolidated cash flow statement

Unaudited results for the six months ended 30 June 2005

	Note	Six months ended 30 June 2005 Unaudited £000	Six months ended 30 June 2004 Unaudited £000	Year ended 31 December 2004 Audited £000
Net cash (outflow) from operating activities	a	<b>(3,678.9)</b>	(358.9)	(3,065.0)
<b>Returns on investments and servicing of finance</b>				
Interest paid on finance lease		—	—	(116.6)
Interest received		<b>168.6</b>	—	77.2
<b>Net cash inflow from returns on investments</b>		<b>168.6</b>	—	(39.4)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		<b>(600.4)</b>	(6.4)	(38.2)
<b>Net cashflow from capital expenditure</b>		<b>(600.4)</b>	(6.4)	(38.2)
<b>Financing</b>				
Issue of ordinary share capital		<b>25,791.4</b>	391.1	14,951.3
Expenses paid in connection with share issues		<b>(1,366.3)</b>	—	(1,490.2)
Purchase of own shares		<b>(3,479.8)</b>	—	—
New long term loans		<b>58.9</b>	—	—
Capital element of finance lease		<b>(6.0)</b>	(3.0)	(759.0)
<b>Net cash flow from financing</b>		<b>20,998.2</b>	388.1	12,702.1
<b>Increase in cash in the period</b>	b	<b>16,887.5</b>	22.8	9,559.5

# Notes to the consolidated cash flow statement

Unaudited results for the six months ended 30 June 2005

## a) Reconciliation of operating loss to operating cash flow

	Six months ended 30 June 2005 Unaudited £000	Six months ended 30 June 2004 Unaudited £000	Year ended 31 December 2004 Audited £000
Group operating loss	<b>(3,229.5)</b>	(913.4)	(3,024.8)
Depreciation	<b>10.9</b>	4.3	12.0
Amortisation of goodwill	<b>1.8</b>	—	2.6
(Increase)/decrease in debtors	<b>(714.6)</b>	(53.9)	64.5
(Increase)/decrease in stock	<b>(308.0)</b>	—	—
Increase/(decrease) in creditors	<b>560.5</b>	604.1	(119.3)
<b>Operating cash flow</b>	<b>(3,678.9)</b>	(358.9)	(3,065.0)

## b) Reconciliation of net cash flow to movement in net funds

	Six months ended 30 June 2005 Unaudited £000	Six months ended 30 June 2004 Unaudited £000	Year ended 31 December 2004 Audited £000
Increase in cash in the period	<b>16,887.5</b>	22.7	9,559.5
Cash inflow from the increase in debt and lease financing	<b>(52.9)</b>	3.0	759.0
Change in net funds resulting from cash flows	<b>16,834.6</b>	25.7	10,318.5
New finance leases	—	(750.0)	(750.0)
New finance leases obtained on acquisition of subsidiary	—	(52.7)	(52.7)
Net funds at beginning of period	<b>9,518.7</b>	2.9	2.9
<b>Net funds/(debt) at end of period</b>	<b>26,353.3</b>	(774.1)	9,518.7

## c) Analysis of changes in net funds

	At 1 January 2005 £000	Cash flows £000	Other non-cash changes £000	At 30 June 2005 £000
Cash at bank and in hand	9,562.4	16,887.5	0.0	<b>26,449.9</b>
Long term loans	0.0	(58.9)	0.0	<b>(58.9)</b>
Finance leases	(43.7)	6.0	0.0	<b>(37.7)</b>
	9,518.7	16,834.6	0.0	<b>26,353.3</b>

# Notes

## Unaudited results for the six months ended 30 June 2005

### 1. Basis of preparation

The accounts for the six months ended 30 June 2005 have not been audited, nor have the accounts for the equivalent period in 2004. They comply with relevant accounting standards and have been prepared on a consistent basis using accounting policies set out in the 2004 annual report together with the newly adopted policies below. Whilst this interim statement is unaudited it has been reviewed by the Company's auditors and their report is set out on page 16. The figures for the twelve months ended 31 December 2004 do not constitute the Company's statutory accounts as defined in Section 240 of the Companies Act 1985 for that period but have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors have reported on those accounts and that report was unqualified and did not contain a statement under Sections 237(2) or 237(3) of the Companies Act 1985.

### 2. Accounting policies

Except as noted below, the unaudited results for the six months ended 30 June 2005 have been prepared applying the accounting policies set out in the Group's annual report for the year ended 31 December 2004.

#### New accounting policies

##### a) Plantation accounting

A major activity of the Group is to prepare previously untreated ground and to plant jatropha seeds and seedlings. Once mature the jatropha trees bear seeds that contain crude jatropha oil. This crude oil can be refined to produce biodiesel. With effect from 1 January 2005 the direct costs of site preparation and planting have been capitalised and they are amortised over the useful life of the trees, which is on average 30 years.

##### b) Stock

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

##### c) Joint ventures

Entities in which the Group holds an interest on a long term basis, and are jointly controlled by the Group with one or more other parties under a contractual agreement, are treated as joint ventures and are accounted for using the gross equity method.

##### d) Employee Benefit Trust

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

## Notes (continued)

Unaudited results for the six months ended 30 June 2005

### 3. Segmental reporting

Although all results derive from a single class of business the Group operates in a number of different countries. An analysis of turnover, loss for the financial period, and net assets/(liabilities) by geographical area is set out below. The analysis by geographical area reflects the principal regions in which the Group is active.

	<b>Six months ended 30 June 2005 Unaudited £000</b>	Six months ended 30 June 2004 Unaudited £000	Year ended 31 December 2004 Audited £000
<b>Loss on ordinary activities before tax</b>			
UK	<b>(2,709.0)</b>	(913.4)	(2,888.6)
India	<b>(40.0)</b>	—	—
Joint venture	<b>(17.0)</b>	—	—
Africa	<b>(237.8)</b>	—	(131.0)
Asia Pacific	<b>(74.1)</b>	—	(44.7)
<b>Loss on ordinary activities before tax</b>	<b>(3,077.9)</b>	(913.4)	(3,064.3)
<b>Net assets/(liabilities)</b>			
UK	<b>27,996.9</b>	(1,135.3)	9,886.4
India	<b>(42.4)</b>	—	—
Joint venture	<b>(17.0)</b>	—	—
Africa	<b>(304.1)</b>	—	(151.7)
Asia Pacific	<b>(72.7)</b>	—	(42.4)
<b>Net assets/(liabilities)</b>	<b>27,560.7</b>	(1,135.3)	9,692.3

All Group turnover for the six months ended 30 June 2005 has originated from the UK.

#### 4. Loss per ordinary share

	Six months ended 30 June 2005 Unaudited Number	Six months ended 30 June 2004 Unaudited Number	Year ended 31 December 2004 Audited Number
Weighted average number of shares in issue	<b>21,603,108</b>	78,186	6,447,640
	Pence	£	Pence
Loss per ordinary share – basic and diluted	<b>14.25</b>	11.68	47.53

The number of shares in issue at 31 December 2004 was 21,492,864. Following the placing, completed on 14 June 2005 of 9,732,617 ordinary shares, the total number of shares in issue at 30 June 2005 was 31,225,481. For the purposes of calculating the loss per ordinary share the weighted average number of shares excludes 1,385,000 shares held by the D1 Oils plc Employee Benefit Trust ("EBT"). No diluted loss per share has been disclosed as the share options are anti-dilutive.

#### 5. Movement on reserves

	Share capital £000	Share premium £000	Merger reserve £000	Own shares £000	Profit and loss reserve £000	Total £000
<b>Opening balance as at 1 January 2005</b>	214.9	12,808.4	437.7	—	(3,768.7)	9,692.3
Retained loss for the period	—	—	—	—	(3,077.9)	(3,077.9)
Issue of shares by the company	97.5	24,327.6	—	—	—	24,425.1
Exchange movements	—	—	—	—	1.0	1.0
Purchase of own shares	—	—	—	(3,479.8)	—	(3,479.8)
<b>At 30 June 2005</b>	<b>312.4</b>	<b>37,136.0</b>	<b>437.7</b>	<b>(3,479.8)</b>	<b>(6,845.6)</b>	<b>27,560.7</b>

On 14 June 2005, the Company completed the placing of 9,732,617 new ordinary shares. The Company received cash consideration of £25,791,400 for this placing before expenses of £1,366,300.

Also during the period, the Company purchased 1,385,000 of its own ordinary shares of 1p, representing 4.4% of the issued share capital of the Company at 30 June 2005. This was also the maximum number of such shares held during the year. These shares, which are held in an EBT established for the purpose, were purchased on the open market with financing provided by the Company and in accordance with UITF 38 are shown in reserves as own shares held.

#### 6. Post balance sheet event

On the 19 July 2005 D1 Oils plc received £3,462,000 from Bailhache Labesse Trustees Limited as Trustees of the EBT following their disposal of 1,191,335 ordinary shares at £2.95 each in D1 Oils plc. The EBT's remaining shareholding in the Company is 193,665 ordinary shares and there remains a loan payable to the Company from the Trust of £17,600

# Independent review report to D1 Oils plc

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the reconciliation of movement in equity shareholders' funds/(deficit), the consolidated balance sheet, the consolidated cash flow statement, notes a to c to the consolidated cash flow statement, and related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

## Deloitte & Touche LLP

Chartered Accountants  
Newcastle-upon-Tyne  
28 September 2005

# Directors and advisers

## Directors

**Karl Watkin** MBE  
Non-Executive Chairman

**Philip Wood**  
Chief Executive

**Elliott Mannis**  
Chief Financial Officer and Company Secretary

**Peter Campbell**  
Operations Director

**Steve Douty**  
Regional Director

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

**Barclay Forrest** OBE  
Non-Executive Director

**Peter Davidson**  
Non-Executive Director

**Alex Worrall**  
Non-Executive Director

## Advisers

**Broker and nominated adviser**  
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**Auditors**  
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Newcastle-upon-Tyne NE1 6AE

**Registrars**  
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The Registry  
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