

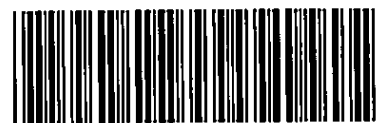
**Biofuels Corporation Trading Limited**

Report and Financial Statements

Year Ended

31 March 2008

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# **Biofuels Corporation Trading Limited**

## **Annual report and financial statements for the year ended 31 March 2008**

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### **Directors**

SD Boyd  
SGC Sutcliffe  
NC McLoughlin  
RN Nickels

### **Secretary and registered office**

PJ Elliott, Seal Sands Terminal (South Site), Seal Sands Road, Middlesbrough, TS2 1UB

### **Company number**

4300824

### **Auditors**

BDO Stoy Hayward LLP, 1 Bridgewater Place, LS11 5RU

## **Biofuels Corporation Trading Limited**

### **Report of the Directors for the year ended 31 March 2008**

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The Directors present their report together with the audited financial statements for the year ended 31 March 2008.

#### **Results and dividends**

The profit and loss account is set out on page 8 and shows the loss for the year.

#### **Principal activities, review of business and future developments**

The Company is set up to construct and operate biodiesel plants.

2007 was a challenging year for Biofuels Corporation, but the company ended the year with a clear route forward having moved ahead with a restructuring of its balance sheet and debt position and having focused on cost improvement activities in particular in the area of production reliability and increasing availability and cost of feedstock both offset deteriorating trading conditions seen in the year.

The debt for equity swap was completed successfully on 23 July 2007, with Broomco (4091) Limited, whose principal shareholders are both Barclays PLC wholly-owned subsidiary companies, taking 94% of the share capital, in exchange for £40 million of the Company's debt. This restructuring enabled the business to reduce its debt levels and associated financing costs.

Capital expenditure rose to a one-off £1.8 million in the year with projects focused on intermediate tankage and process reliability. The programme was completed successfully on time and budget.

The trading position over the year became considerably more challenging, with growing competition from heavily subsidised US imports of finished product. The response from the Company has been to develop process capability for cheaper, unrefined, feedstocks. The first crude palm oil production started in early December and represented the start of a shift from refined vegetable oil processing to high acid used cooking oil.

The company will need to work within demanding margins for the foreseeable future but with countervailing duties applied to US material, the Directors are confident that the improved margins and operational efficiencies executed this year will enable the company to be competitive in a challenging market.

#### **Key Performance Indicators**

Key performance indicators are used to measure progress across many activities including sales, plant performance and output quality.

#### **Financing and Debt for Equity Swap**

On 1 June 2007, the Group confirmed that the on demand bank facilities had been rolled over to 31 December 2007. Barclays Bank plc also agreed to provide additional facilities of £7.0 million for working and fixed capital purposes on this date and to defer payment until 31 December 2007 of future interest payments due up to that date.

## **Biofuels Corporation Trading Limited**

### **Report of the Directors for the year ended 31 March 2008 (continued)**

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#### **Financing and Debt for Equity Swap (continued)**

On 23 July 2007 shareholders of the Company's parent company, Biofuels Corporation PLC, agreed the following restructuring proposals at an Extraordinary General Meeting (EGM):

- (i) the right for Broomco (4091) Limited to acquire new ordinary shares in the Company. These shares were paid up by application of £40 million of the existing debt, such that Broomco (4091) Limited became owner of 94 per cent of the enlarged ordinary share capital of the Company with the remaining 6 per cent minority interest owned by Biofuels Corporation PLC;
- (ii) the acquisition by the Company of all the trading assets of Biofuels Corporation plc (other than its interest in the Company and its interest in certain contracts) including the goodwill attaching to its name;
- (iii) the release by Biofuels Corporation PLC of the Company's obligation to repay the inter-company loan;
- (iv) a commitment by the Company to pay Biofuels Corporation PLC on an annual basis a sum to allow the latter to comply with certain ongoing legal and administrative obligations relating to its position as a private limited company;
- (v) funding to be paid by the Company to Biofuels Corporation PLC to pursue claims under Biofuels Corporation Plc's contract with Energea for the design, manufacture and installation of its biodiesel production facility, to the extent that the Company requests such claims to be pursued. The proceeds of these claims (if any) will belong to the Company.

In addition, at the EGM, the company name of Biofuels Corporation plc was changed to Earls Nook plc, which then delisted from AIM and changed its status to a private limited company.

As part of the restructuring, Biofuels Corporation plc's executive Directors, Sean Sutcliffe, Andy Leeser and Richard Nickels, had their existing terms of engagement transferred to Biofuels Corporation Trading Limited.

On 10 October 2007 Barclays Bank PLC agreed to provide additional facilities of £4 million to the Company thereby increasing total borrowing facilities to £70.175 million.

On 20 December 2007 Barclays Bank PLC agreed to defer payment until 31 December 2008 of future interest payments due up to that date.

#### **Post balance sheet events**

These are detailed in note 19 of the financial statements.

As detailed in note 19(d) on 1 June 2009 £60 million of the debt owed to Barclays Bank PLC was released in consideration of the issue and allotment of 107,919,700 B ordinary shares in the Company to the Bank. These shares were subsequently transferred to the Company's owners Broomco (4091) Limited.

The illustrative impact of this transaction on the Company's Balance sheet as at 31 March 2008 is shown on the following page.

**Biofuels Corporation Trading Limited**

**Report of the Directors for the year ended 31 March 2008 (continued)**

**Post balance sheet events (continued)**

**Balance sheet as at 31 March 2008 & Illustrative Proforma Balance sheet as at 31 March 2008 reflecting 1 June 2009 Debt for Equity Transaction**

	As at 31 March 2008 £'000	Illustrative Proforma As at 31 March 2008 £'000
<b>Fixed assets</b>		
Tangible assets	34,466	34,466
	34,466	34,466
<b>Current assets</b>		
Stocks	84	84
Debtors	1,491	1,491
Cash at bank and in hand	-	10,872
	1,575	12,447
<b>Creditors: amounts falling due within one year</b>		
Term loan	(57,947)	(27,947)
Bank overdraft	(19,128)	-
Trade and other creditors	(5,520)	(5,520)
	(82,595)	(33,467)
<b>Net current liabilities</b>	(81,020)	(21,020)
<b>Total assets less current liabilities</b>	(46,554)	13,446
Creditors: amounts falling due after more than one year	-	-
<b>Provision for liabilities and charges</b>	(40)	(40)
<b>Net liabilities</b>	(46,594)	13,406
<b>Capital and reserves</b>		
Called up share capital	1,535	1,643
Share premium	39,399	99,291
Capital contribution	52,572	52,572
Profit and loss account	(140,100)	(140,100)
<b>Equity shareholders' (deficit)/surplus</b>	(46,594)	13,406

**Charitable and political contributions**

There were no charitable or political contributions during the year.

**Principal Risks and Uncertainties**

The Company is the largest producer of biodiesel in the UK and our plant is close to becoming fully effective. On 15 April 2008 the implementation of the Renewable Transport Fuel Obligation in the UK required 2.5% of all UK fuels sold in UK forecourts to come from renewable sources. Although this was positive news the increasing volume of heavily subsidized US "B99" product has negated much of the volume opportunity. The company continues to work with challenging margins and continues to focus on cost improvement activities in particular in the area of production reliability and cheaper feedstocks. The Company has, through a multi feedstock approach, looked to mitigate to some extent, the risks associated with production from a single feedstock line but the Directors note that the actual prices of all raw materials and indeed selling prices are highly volatile and are driven by commodity markets over which the company has no control.

**Going Concern**

The Directors have considered the likely cash requirements of the Company over the next 12 months and the current level of facilities, which are provided on an on-demand basis and extend until December 2009. These facilities were agreed with Barclays Bank PLC on 8 May 2009 and total £93.175 million (of which £10 million is set specifically aside for working capital purposes). The Directors continue to have an open dialogue with the Bank and believe the Bank will continue to support the business past December 2009.

In preparing financial forecasts to estimate the likely cash requirements of the Company over the next 12 months, the Company has had to make certain assumptions with regard to the price of vegetable oils, the price of biodiesel and several other key factors. Each of these factors has a significant impact upon the financial forecasts. The Directors note that the actual prices of these items are highly volatile and are driven by commodity markets over which the Group has no control. The Directors have attempted to take a balanced and prudent view in preparing these forecasts, however their accuracy is uncertain. The Directors are confident that with active management of working capital and ongoing support of the Bank they will be able to operate within their facilities.

As detailed in the business review a plant remediation programme, focussing on intermediate haulage and process reliability, was completed successfully. In addition the Company has developed process capability for cheaper, unrefined feedstocks. This has been allied to continued emphasis on reducing the fixed cost base of the business, with a redundancy programme in March 2009 which reduced headcount by ten people together with reduced general costs. The Directors have a high level of confidence that this process will be successful, which, in turn the Directors believe will give the Bank and the shareholders in Biofuels Corporation Trading Limited a strong commercial incentive to provide the additional working capital facilities that will be required. Whilst issues regarding funding and the market conditions give rise to a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern, for the reasons outline above, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

On 1 June 2009 the Company converted 107,919,700 authorised but unissued ordinary shares of 0.1 pence in the Company's share capital into 107,919,700 B ordinary shares of 0.1 pence. In consideration of the issue and allotment of these 107,919,700 B ordinary shares to Barclays Bank PLC £60 million of the existing debt owing to the Bank was released. Subsequently Barclays Bank PLC transferred the 107,919,700 B ordinary shares to Broomco (4091) Limited who own 100% of the Company.

## Biofuels Corporation Trading Limited

### Report of the Directors for the year ended 31 March 2008 *(continued)*

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#### Directors

The Directors of the Company during the year were:

MC Buzzacott	Non-Executive Chairman	Resigned 23 July 2007
SGC Sutcliffe	Chief Executive	
RN Nickels	Commercial and Operations Director	
Dr A Keasey	Technical Director	Resigned 17 May 2007
AJ Leaser	Finance Director	Appointed 23 July 2007
S D Boyd	Non-Executive Director	Appointed 17 September 2007

Since the year end RN Nickels was appointed Chief Executive on 14 April 2008 and SGC Sutcliffe was appointed Chairman on 21 April 2008.

NC McLoughlin was appointed Finance Director of the Company on 17 March 2009 and AJ Leaser resigned as a director of the Company on 10 April 2009.

#### Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

#### Auditors

All of the current Directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

As a result of the Company having adopted the Elective Regime on 19 September 2005, an Annual General Meeting is not being held and BDO Stoy Hayward LLP, having expressed their willingness to do so, will continue in office.

By order of the Board



RN Nickels  
Director  
26 June 2009

## **Report of the independent auditors**

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### **Independent Auditor's Report To The Shareholders Of Biofuels Corporation Trading Limited**

We have audited the financial statements of Biofuels Corporation Trading Limited for the year ended 31 March 2008, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### **Basis of audit opinion**

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

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



**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

**Emphasis of matter – going concern**

In forming our opinion, which is not qualified, we have considered the adequacies of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The company is reliant on the continuing support of its bankers. The current facilities expire on 31 December 2009 and, although the directors expect to be able to renew the facility on similar terms, they have no binding agreement from the bank.

These conditions, along with the other matters referred to in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.



BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors  
Leeds

**26** June 2009

**Biofuels Corporation Trading Limited****Profit and loss account for the year ended 31 March 2008**

	Notes	2008 £'000	2007 £'000
<b>Turnover</b>	2	17,104	51,009
Cost of sales		<u>(28,522)</u>	<u>(54,646)</u>
<b>Gross loss</b>		<b>(11,418)</b>	<b>(3,637)</b>
Other administrative expenses		(5,390)	(4,749)
Exceptional items	3	94	(11,148)
Administrative expenses		<u>(5,296)</u>	<u>(15,897)</u>
<b>Operating loss</b>	3	<b>(16,714)</b>	<b>(19,534)</b>
Restructuring costs	4	(814)	-
Interest receivable	7	57	143
Interest payable and similar charges	8	(7,218)	(9,697)
Exceptional financing costs	9	-	(3,215)
Interest payable and similar charges		<u>(7,218)</u>	<u>(12,912)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(24,689)</b>	<b>(32,303)</b>
<b>Taxation on loss on ordinary activities</b>	10	-	13
<b>Loss on ordinary activities after taxation</b>		<b>(24,689)</b>	<b>(32,290)</b>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 11 to 24 form part of these financial statements.

**Biofuels Corporation Trading Limited**

**Balance sheet as at 31 March 2008**

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	11	34,466	35,522
		34,466	35,522
<b>Current assets</b>			
Stocks	12	84	3,693
Debtors	13	1,491	1,412
Cash at bank and in hand		-	623
		1,575	5,728
<b>Creditors: amounts falling due within one year</b>			
Term loan		(57,947)	(79,794)
Bank overdraft		(19,128)	(17,331)
Trade and other creditors		(5,520)	(58,602)
	14	(82,595)	(155,727)
<b>Net current liabilities</b>		(81,020)	(149,999)
<b>Total assets less current liabilities</b>		(46,554)	(114,477)
<b>Provision for liabilities and charges</b>	15	(40)	-
<b>Net liabilities</b>		(46,594)	(114,477)
<b>Capital and reserves</b>			
Called up share capital	16	1,535	92
Share premium	17	39,399	842
Capital contribution reserve	17	52,572	-
Profit and loss account	17	(140,100)	(115,411)
<b>Equity shareholders' deficit</b>	18	(46,594)	(114,477)

The financial statements were approved and authorised for issue by the Board of Directors on 26 June 2009.



**RN Nickels**  
**Director**

The notes on pages 11 to 24 form part of these financial statements.

**Biofuels Corporation Trading Limited****Cash flow statement for the year ended 31 March 2008**

	<b>Notes</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Net cash inflow from operating activities</b>	<b>24</b>	<b>(12,861)</b>	<b>271</b>
<b>Returns on investments and servicing of finance</b>	<b>25</b>	<b>(5,996)</b>	<b>(13,985)</b>
<b>Taxation</b>	<b>25</b>	<b>22</b>	<b>-</b>
<b>Capital expenditure and financial investment</b>	<b>25</b>	<b>(1,738)</b>	<b>(3,253)</b>
<b>Cash outflow before use of liquid resources and financing</b>		<b>(20,573)</b>	<b>(16,967)</b>
<b>Management of liquid resources</b>	<b>25</b>	<b>623</b>	<b>103</b>
<b>Financing</b>	<b>25</b>	<b>18,153</b>	<b>2,395</b>
<b>Decrease in cash</b>	<b>26</b>	<b>(1,797)</b>	<b>(14,469)</b>

The notes on pages 11 to 24 form part of these financial statements.

## **1 Accounting policies**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items, which are considered material in relation to the financial statements.

### *Going Concern*

The Directors have considered the likely cash requirements of the Company over the next 12 months and the current level of facilities, which are provided on an on-demand basis and extend until December 2009. These facilities were agreed with Barclays Bank PLC on 8 May 2009 and total £93.175 million (of which £10 million is set specifically aside for working capital purposes). The Directors continue to have an open dialogue with the Bank and believe the Bank will continue to support the business past December 2009.

In preparing financial forecasts to estimate the likely cash requirements of the Company over the next 12 months, the Company has had to make certain assumptions with regard to the price of vegetable oils, the price of biodiesel and several other key factors. Each of these factors has a significant impact upon the financial forecasts. The Directors note that the actual prices of these items are highly volatile and are driven by commodity markets over which the Group has no control. The Directors have attempted to take a balanced and prudent view in preparing these forecasts, however their accuracy is uncertain. The Directors are confident that with active management of working capital and ongoing support of the Bank they will be able to operate within their facilities.

As detailed in the business review a plant remediation programme, focussing on intermediate haulage and process reliability, was completed successfully. In addition the Company has developed process capability for cheaper, unrefined feedstocks. This has been allied to continued emphasis on reducing the fixed cost base of the business, with a redundancy programme in March 2009 which reduced headcount by ten people together with reduced general costs. The Directors have a high level of confidence that this process will be successful, which, in turn the Directors believe will give the bank and the shareholders in Biofuels Corporation Trading Limited a strong commercial incentive to provide the additional working capital facilities that will be required. Whilst issues regarding funding and the market conditions give rise to a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern, for the reasons outlined above, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

On 1 June 2009 the Company converted 107,919,700 authorised but unissued ordinary shares of 0.1 pence in the Company's share capital into 107,919,700 B ordinary shares of 0.1 pence. In consideration of the issue and allotment of these 107,919,700 B ordinary shares to Barclays Bank PLC £60 million of the existing debt owing to the Bank was released. Subsequently Barclays Bank PLC transferred the 107,919,700 B ordinary shares to Broomco (4091) Limited who own 100% of the Company.

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax. Turnover is recognised when the risks and rewards of owning the goods have passed to the customer which is generally on delivery.

**1 Accounting Policies (continued)**

*Government grants*

Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of the grant is included in creditors as deferred income.

*Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Motor vehicles	- 20% per annum
Computer Equipment	- 33 1/3% per annum
Furniture and fittings	- 25% per annum
Biodiesel plant and machinery *	- 5%, 6.7% or 20% per annum
Sundry plant and machinery	- 10% per annum

No depreciation has been charged on the assets in course of construction. This will apply until the asset is completed and brought into economic use.

\* (The majority of the cost of the biodiesel plant and machinery are depreciated by 5% and 6.7% per annum)

*Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the weighted average cost of purchase.

*Foreign currency translation*

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

*Finance costs*

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

*Pension costs*

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

**1 Accounting Policies (continued)**

*Leases*

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

*Impairment of non-financial assets*

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the administrative expenses line item in the income statement.

**2 Turnover**

The Directors consider that the primary reporting format is by business segment and that there is only one such segment being the production and sale of biodiesel and its by-products.

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Biodiesel	16,015	50,057
By-products and others	1,089	265
Vegetable Oil Trades	-	687
	<u>17,104</u>	<u>51,009</u>

The secondary reporting format is by geographical analysis by destination; revenue by destination is shown below:

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
United Kingdom	6,239	17,697
Mainland Europe	10,865	33,312
	<u>17,104</u>	<u>51,009</u>

### **3 Operating loss**

This is arrived at after charging:

*Exceptional items*

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Impairment loss on biodiesel plant	-	6,514
Impairment loss on other fixed assets	-	257
Plant 2 FEED costs	-	402
Professional fees connected to refinancing	-	97
Contractor payments	-	389
Plant start up and delay costs	-	3,489
Energea claim -costs	417	-
Energea claim -insurance recovery	(511)	-
	<b>(94)</b>	<b>11,148</b>

#### *Impairment loss*

The recoverable amount of the asset (note 11) is its fair value less costs to sell obtained by reference to external market valuations of the business. Therefore, the difference between this value and the carry forward net book value of the assets prior to impairment has been charged to the income statement in accordance with FRS 15 'Tangible Fixed Assets'.

#### *Plant 2 FEED costs*

The Company made payments in connection with front-end engineering design costs for capacity expansion.

#### *Professional fees connected to refinancing*

The financing costs relate to costs incurred with the raising of additional term and working capital facilities.

#### *Contractor payments*

The Company made additional payments to sub-contractors on behalf of the main contractor for the provision of the first plant. The Company considers that these amounts are unlikely to be recovered in the short to medium term and therefore a provision has been made against the balance due.

#### *Plant start up and delay costs*

In 2007 plant start up and delay costs consist primarily of additional storage costs to store intermediate by-products, additional maintenance remedial activity on the biodiesel plant and associated commissioning costs of the plant.

Costs incurred in the year ended 31 March 2008 in respect of additional storage costs have been charged to cost of sales as these costs are now associated with the storage of feedstocks and output materials.



## Biofuels Corporation Trading Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (*continued*)

### 3 Operating loss (*continued*)

#### *Other administrative expenses*

	2008 £'000	2007 £'000
Depreciation	125	72
Auditors' remuneration	20	21
Hire of plant and machinery – operating leases	17	2
Hire of other assets – operating leases	59	51
Engineering spares write-off	-	568
Foreign exchange gain	(139)	(93)

The biodiesel plant and other plant and machinery depreciation charge of £2,547,000 (2007: £2,909,000) as disclosed in note 11 is included within cost of sales.

### 4 Restructuring costs

	2008 £'000	2007 £'000
Sale consideration	60	-
Restructuring costs	754	-
	<u>814</u>	<u>-</u>

#### **Restructuring**

On 23 July 2007 shareholders of the Company's original parent company, Biofuels Corporation plc, agreed the following restructuring proposals at an Extraordinary General Meeting (EGM):

- (i) the right for Broomco (4091) Limited to acquire new ordinary shares in the Company. These shares were paid up by application of £40 million of the existing debt, such that Broomco (4091) Limited became owner of 94 per cent of the enlarged ordinary share capital of the Company with the remaining 6 per cent minority interest owned by Biofuels Corporation plc;
- (ii) the acquisition by the Company of all the trading assets of Biofuels Corporation plc (other than its interest in the Company and its interest in certain contracts) including the goodwill attaching to its name;
- (iii) the release by Biofuels Corporation plc of the Company's obligation to repay the inter-company loan;
- (iv) a commitment by the Company to pay Biofuels Corporation plc on an annual basis a sum to allow the latter to comply with certain ongoing legal and administrative obligations relating to its position as a private limited company;
- (v) funding to be paid by the Company to Biofuels Corporation plc to pursue claims under the Biofuels Corporation plc's contract with Energea for the design, manufacture and installation of its biodiesel plant, to the extent that the Company requests such claims to be pursued. The proceeds of these claims (if any) will belong to the Company.

In addition, at the EGM, the company name of Biofuels Corporation plc was changed to Earls Nook plc, which then delisted from AIM and changed status to a private limited company. The release by Biofuels Corporation plc of the inter-company loan resulted in a credit of £52,572,000 which has been included as a capital contribution reserve (see note 17).

**Biofuels Corporation Trading Limited****Notes forming part of the financial statements for the year ended 31 March 2008 (continued)****5 Directors' remuneration**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Directors' emoluments	675	-
Pension fund contributions	28	-
	<b>703</b>	<b>-</b>

The highest paid Directors' remuneration was £398,773 for the year (2007: £nil), which includes pension fund contributions of £15,948 (2007: £nil). There were 3 Directors in the Company's defined contribution scheme during the year (2007: 3). For the year ended 31 March 2007 the remuneration of the Directors was paid by Biofuels Corporation plc.

**6 Employees**

The average number of employees during the year was:

	<b>2008</b> <b>Number</b>	<b>2007</b> <b>Number</b>
Executive Directors and administration staff	14	13
Operational staff	41	36
	<b>55</b>	<b>49</b>

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Wages and salaries	2,869	1,748
Social security costs	321	204
Other pension costs	152	123
	<b>3,342</b>	<b>2,075</b>

**7 Interest received**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Bank interest received	57	143

# Biofuels Corporation Trading Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (*continued*)

## 8 Interest payable and similar charges

	2008 £'000	2007 £'000
Interest on bank term loan	4,756	5,886
Inter-company loan interest	1,038	2,863
Bank overdrafts	1,424	948
	<u>7,218</u>	<u>9,697</u>

## 9 Exceptional financing costs

	2008 £'000	2007 £'000
Bank arrangement fees	-	3,215
	<u>-</u>	<u>3,215</u>

## 10 Taxation on loss on ordinary activities

	2008 £'000	2007 £'000
<i>UK Corporation Tax</i>		
Adjustment in respect of prior year	-	(22)
Deferred tax arising from timing differences	-	9
<b>Total tax charge</b>	<u>-</u>	<u>(13)</u>

The tax charged for the year differs from the standard rate of corporation tax in the UK, as explained below:

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	<u>(24,689)</u>	<u>(32,303)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	(7,407)	(9,691)
Expenses not deductible for tax purposes	2,049	412
Short-term timing differences	23	(25)
Capital allowances in (excess) / deficit of depreciation	752	3,001
Increase in losses	4,361	6,041
Group (relief) / surrender	<u>222</u>	<u>262</u>
	<u>-</u>	<u>-</u>

### Factors that may affect future tax charges

In addition to the carried forward taxable losses totalling £117.7 million, an unprovided deferred tax asset of £3.8 million exists in relation to deferred capital allowances which are available to offset against future taxable profits.

**Biofuels Corporation Trading Limited**

Notes forming part of the financial statements for the year ended 31 March 2008 (*continued*)

**11 Tangible fixed assets**

	<b>Biodiesel Plant £'000</b>	<b>Plant, machinery &amp; motor vehicles £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
<i>Cost</i>					
At 1 April 2007	38,382	24	146	-	38,552
Additions	1,459	-	32	43	1,534
Transfers	114	-	-	(114)	-
Impairment	(114)	-	-	114	-
<b>At 31 March 2008</b>	<b>39,841</b>	<b>24</b>	<b>178</b>	<b>43</b>	<b>40,086</b>
<i>Depreciation</i>					
At 1 April 2007	2,909	8	113	-	3,030
Charged for the year	2,547	2	41	-	2,590
<b>At 31 March 2008</b>	<b>5,456</b>	<b>10</b>	<b>154</b>	<b>-</b>	<b>5,620</b>
<i>Net book value</i>					
<b>At 31 March 2008</b>	<b>34,385</b>	<b>14</b>	<b>24</b>	<b>43</b>	<b>34,466</b>
 At 31 March 2007	 35,473	 16	 33	 -	 35,522

**12 Stocks**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Raw materials and consumables	84	851
Finished goods and goods for resale	-	2,842
	<b>84</b>	<b>3,693</b>

**13 Debtors**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Trade debtors	216	230
Other debtors	173	262
Prepayments	812	898
Corporation tax	-	22
Amounts owed from group undertakings	290	-
	<b>1,491</b>	<b>1,412</b>

All amounts under debtors fall due for payment within one year.

# Biofuels Corporation Trading Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (*continued*)

## 14 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	19,128	17,331
Bank term loan	57,947	79,794
Trade creditors	957	1,499
Amounts owed to group undertakings	-	52,784
Other tax and social security	319	77
Accruals	3,159	3,074
Deferred grant income	1,085	1,168
	<b>82,595</b>	<b>155,727</b>

## 15 Provision for liabilities and charges

	2008 £'000	2007 £'000
Dilapidation provision	40	-

## 16 Share capital

	2008 £'000	2007 £'000
<i>Authorised</i>		
<i>Equity share capital</i>		
1,642,592,000 shares of 0.1p each	1,643	200
<i>Allotted, called up and fully paid</i>		
<i>Equity share capital</i>		
'A' ordinary shares 1,442,591,366 shares of 0.1p each	1,443	92
'B' ordinary shares 92,080,300 shares of 0.1p each	92	-

As a consequence of the restructuring on 23 July 2007, as detailed in note 4, the authorised and issued share capital of the Company has been increased by 1,442,591,366 'A' ordinary shares of 0.1p each (issued to Broomco (4091) Limited) and the original authorised, allotted, called up and fully paid share capital of 92,080,300 ordinary shares of 0.1p each reclassified as 'B' ordinary shares.

The "A" ordinary shareholders have the right to a dividend sufficient to enable the parent company Broomco (4091) limited to pay a cumulative dividend to its own "A" ordinary shareholders based on the group profits of the company and its parent as follows:

- in respect of the Accounting Period ending 31 March 2011, 20%;
- in respect of the Accounting Period ending 31 March 2012, 25%;
- in respect of the Accounting Period ending 31 March 2013, 30%;
- in respect of the Account Period ending 31 March 2014, 35%;
- in respect of the Account Period ending 31 March 2015, 40%;
- in respect of the Account Period ending 31 March 2016, 45%;
- in respect of and all Accounting Periods ending 31 March 2017 or thereafter, 50%.

In all other respects the ordinary shares rank pari passu

# Biofuels Corporation Trading Limited

Notes forming part of the financial statements for the year ended 31 March 2008 (continued)

## 17 Reserves

	Capital Contribution Reserve	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	-	842	(115,411)	(114,569)
Premium on Share Issue	-	38,557	-	38,557
Waiver of inter-company loan (see note 4)	52,572	-	-	52,572
Loss for the year	-	-	(24,689)	(24,689)
<b>At 31 March 2008</b>	<b>52,572</b>	<b>39,399</b>	<b>(140,100)</b>	<b>(48,100)</b>

## 18 Reconciliation of movements in shareholders' deficit

	2008 £'000	2007 £'000
Issue of Shares	40,000	-
Loss for the year	(24,689)	(32,290)
Waiver of inter-company loan (see note 4)	52,572	-
Opening shareholders' deficit	(114,477)	(82,187)
<b>At 31 March 2008</b>	<b>(46,594)</b>	<b>(114,477)</b>

## 19 Post balance sheet events

### a) Financing

On 12 May 2008 the on demand bank facilities were rolled over to 31 December 2008. Barclays Bank PLC also agreed to provide additional facilities of £13 million (including £10 million specifically for working capital purposes) thereby increasing total borrowing facilities to £83.175 million. In addition, the Bank agreed to waive all interest accrued prior to 12 May 2008 and suspend the accrual of interest from 12 May 2008 until the Bank notifies the Company in writing of the termination of the suspension, such suspension to cease one month after the date of the notice.

On 13 August 2008 the Bank agreed to provide additional facilities of £8 million (including £7 million specifically for working capital purposes) thereby increasing total borrowing facilities to £91.175 million

On 23 January 2009 the Bank agreed to provide additional facilities of £8 million thereby increasing total borrowing facilities to £99.175 million and the on-demand facilities were rolled over to 31 December 2009.

On 8 May 2009 the specific working capital facility was reduced by £7 million to the original £10 million thereby reducing total borrowing facilities to £92.175 million.

**19 Post balance sheet events (continued)**

**b) Share-holding in Company**

On 24 June 2008 Broomco (4091) Limited acquired Earls Nook Limited's 6% shareholding in the Company for a consideration of up to £243,500 comprising:

- £233,500 cash consideration at completion of the share sale
- a contingency fund of up to £8,000 to be made available to Earls Nook Limited by Broomco (4091) Limited to meet any additional costs connected with the share sale and any subsequent members voluntary liquidation of the company.

Consequently the Company is now a wholly owned subsidiary of Broomco (4091) Limited.

**c) Energea Insurance Recovery Phase 2**

On 22 May 2008 the Company commenced a dispute resolution process pursuant to its contract with Energea for plant and design build. On 18 March 2009 the Company received £2.6 million in partial settlement of its claim from Energea's insurers.

**d) Debt for Equity Swap**

On 1 June 2009 the Company converted 107,919,700 authorised but unissued ordinary shares of 0.1 pence in the Company's share capital into 107,919,700 B ordinary shares of 0.1 pence. In consideration of the issue and allotment of these 107,919,700 B ordinary shares to Barclays Bank PLC £60 million of the existing debt owing to the Bank was released. Subsequently Barclays Bank PLC transferred the 107,919,700 B ordinary shares to Broomco (4091) Limited who own 100% of the Company.

An illustrative proforma balance sheet contained within the Directors' Report on page 3 provides an illustration of the impact of this transaction on the Company's Balance Sheet as at 31 March 2008.

**20 Commitments under operating leases**

The Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2008 £'000	Other 2008 £'000	Land and buildings 2007 £'000	Other 2007 £'000
Operating leases which expire:				
Within two years	-	-	51	12
In two to five years	-	22	-	-
	-	22	51	12

**21 Capital commitments**

	2008 £'000	2007 £'000
Commitments for capital expenditure not provided for:		
Contracts placed for future expenditure	103	90
Expenditure authorised not yet contracted	30	2,406
	133	2,496

## **Biofuels Corporation Trading Limited**

**Notes forming part of the financial statements for the year ended 31 March 2008 *(continued)***

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### **22 Ultimate parent company**

Biofuels Corporation Trading Limited was previously a wholly-owned subsidiary of Biofuels Corporation PLC.

As a result of a debt for equity swap on 23 July 2007 the Company became 94% owned by Broomco (4091) Limited. The Company's principal shareholders are Barclays Converted Investments (No.2) Limited and Globe Nominees Limited, both of which are Barclays PLC wholly-owned subsidiary companies.

The remaining 6% of the Company was owned by Earl's Nook Limited (formerly known as Biofuels Corporation PLC) until 24 June 2008 when Broomco (4091) Limited acquired the holding as detailed in note 20(b). Consequently the Company is now a wholly owned subsidiary of Broomco (4091) Limited.

### **23 Related Party transactions**

The Company made payments totalling £290,000 on behalf of its current parent company Broomco (4091) Limited during the financial year consisting primarily of restructuring and non-executive Directors' fees. As at 31 March 2008 this amount remained unpaid by Broomco (4091) Limited and is shown within debtors in note 13.

Prior to the restructuring on 23 July 2007 the Company was a wholly-owned subsidiary of Biofuels Corporation plc. As part of the restructuring detailed in note 4(iii) Biofuels Corporation PLC waived the Company's obligation to repay the inter-company loan of £52,572,000.



**Biofuels Corporation Trading Limited**

**Notes forming part of the financial statements for the year ended 31 March 2008 (continued)**

**24 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Operating loss	(16,714)	(19,534)
Exceptional restructuring costs	( 814)	-
Depreciation of tangible fixed assets	2,590	2,988
Loss on sale of assets	-	1
Impairment losses	-	6,771
Decrease in stocks	3,609	2,453
Decrease in debtors	189	144
Increase in inter-company debtors	(290)	-
Decrease in creditors	( 221)	( 595)
(Decrease)/increase in inter company creditors	( 1,250)	8,043
Increase in provisions	40	-
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(12,861)</b>	<b>271</b>
	<hr/>	<hr/>

**25 Analysis of cash flows for headings netted in the cash flow statement**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Returns on investment and servicing of finance</b>		
Interest received	57	142
Interest paid	(6,053)	(11,852)
Bank arrangement fee	-	(2,275)
	<hr/>	<hr/>
	<b>(5,996)</b>	<b>(13,985)</b>
	<hr/>	<hr/>
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Taxation</b>		
Corporation tax received	22	-
	<hr/>	<hr/>
	<b>22</b>	<b>-</b>
	<hr/>	<hr/>

**25 Analysis of cash flows for headings netted in the cash flow statement (continued)**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
<b>Capital expenditure and financial investment</b>		
Payment to acquire tangible fixed assets	(1,738)	(3,257)
Receipts from sale of tangible fixed assets	-	4
	<b>(1,738)</b>	<b>(3,253)</b>
 <b>Management of liquid resources</b>		
Decrease in short term deposits	<b>623</b>	<b>103</b>
	<b>623</b>	<b>103</b>
 <b>Financing</b>		
Proceeds from issue of shares, net of issue costs	<b>40,000</b>	-
Payment of term loan on restructuring	<b>(27,900)</b>	-
Movement in term loan subsequent to restructuring	<b>6,053</b>	<b>1,895</b>
Receipt of government grant	-	<b>500</b>
	<b>18,153</b>	<b>2,395</b>

**26 Reconciliation of net cash flow to movement in net debt**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Decrease in cash	(1,797)	(14,469)
Cash outflow/(inflow) from changes in debt	<b>21,847</b>	<b>(1,895)</b>
Cash inflow from change in liquid resource	<b>(623)</b>	<b>(103)</b>
Movement in net debt	<b>19,427</b>	<b>(16,467)</b>
Opening net debt	<b>(96,502)</b>	<b>(80,035)</b>
 <b>Closing net debt</b>	<b>(77,075)</b>	<b>(96,502)</b>