

Company Registration No. 06360004

REG Bio-Power UK Limited

Annual Report and Financial Statements

30 June 2010

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REG Bio-Power UK Limited

Annual report and financial statements 2010

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REG Bio-Power UK Limited

Officers and professional advisers

Directors

A Whalley
D Crockford
I Collins
R Murphy
S Booth

Secretary

D Crockford

Bankers

Bank of Scotland
155 Bishopsgate Exchange
London
EC2M 3YB

Registered Office

2 Station View
Guildford
Surrey
GU1 4JY

Independent auditors

Deloitte LLP
Chartered Accountants
Crawley

REG Bio-Power UK Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2010

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

Further information on the basis of preparation of these financial statements can be found in note 1

Principal activity

The principal activity of the company in the year under review was that of a holding company for the development of electrical generation equipment utilising non fossil fuel oils

Results and dividends

The loss for the year, after taxation, was £6,294 (2009 - loss £810,679)

The directors do not recommend the payment of a dividend (2009 - £nil)

Directors

The directors, who served throughout the year except as noted, were as follows

A Whalley
D Crockford
R Murphy
I Collins
S Booth (appointed 12 March 2010)

Independent auditors and statement of provision of information to the independent auditors

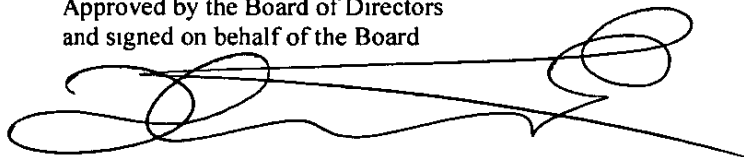
Deloitte LLP were appointed as auditors of the company during the year, to replace Ernst & Young LLP, and a resolution to reappoint them will be proposed as the forthcoming Annual General Meeting

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

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



D Crockford
Director

31 March 2011

REG Bio-Power UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and accounting estimates that are reasonable and prudent, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditors' report to the members of REG Bio-Power UK Limited

We have audited the financial statements of REG Bio-Power UK Limited for the year ended 30 June 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

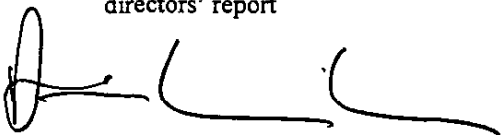
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



Darren Longley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Crawley, United Kingdom

31 March 2011

REG Bio-Power UK Limited

Profit and loss account For the year ended 30 June 2010

	Notes	2010 £	2009 £
Turnover	2		
Continuing operations		949,124	-
Discontinued operations		-	916,567
		<u>949,124</u>	<u>916,567</u>
Cost of sales		-	(1,302,983)
		<u>949,124</u>	<u>(386,416)</u>
Gross profit / (loss)			
Administrative expenses		(949,207)	(424,175)
		<u>(83)</u>	<u>(810,591)</u>
Operating loss	3		
Interest payable and similar charges		-	(88)
Interest receivable and similar income		83	-
		<u>-</u>	<u>(810,679)</u>
Loss on ordinary activities before taxation			
Tax on loss on ordinary activities	5	(6,294)	-
		<u>(6,294)</u>	<u>(810,679)</u>
Loss on ordinary activities after taxation	12		
		<u>(6,294)</u>	<u>(810,679)</u>

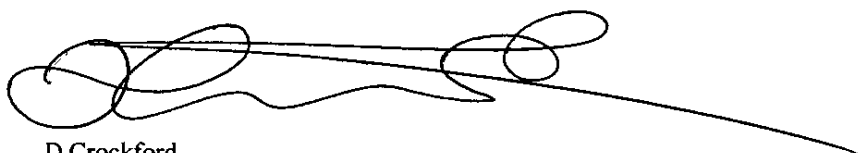
There are no further recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account and as a result no statement of total recognised gains and losses is given

REG Bio-Power UK Limited

Balance sheet 30 June 2010

	Notes	2010 £	2009 £
Fixed assets			
Fixed asset investments	6	3,975,253	1,375,453
Tangible assets	7	17,372	2,279,597
		<u>3,992,625</u>	<u>3,655,050</u>
Current assets			
Stocks	8	-	28,138
Debtors	9	4,322,247	778,026
Cash at bank and in hand		29,059	-
		<u>4,351,306</u>	<u>806,164</u>
Creditors: amounts falling due within one year	10	<u>(1,429,741)</u>	<u>(5,549,373)</u>
Net current assets / (liabilities)		<u>2,921,565</u>	<u>(4,743,209)</u>
Total assets less current liabilities		<u>6,914,190</u>	<u>(1,088,159)</u>
Capital and reserves			
Called up share capital	11	8,000,000	100
Profit and loss account	12	<u>(1,085,810)</u>	<u>(1,088,259)</u>
Shareholder's funds / (deficit)	12	<u>6,914,190</u>	<u>(1,088,159)</u>

The financial statements of REG Bio-Power UK, registered number 06360004 were approved by the board of directors and authorised for issue on 31 March 2011


D Crockford
Director

REG Bio-Power UK Limited

Notes to the accounts For the year ended 30 June 2010

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 throughout the current and preceding financial year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidation exemption

The accounts present information about the company as an individual undertaking and not about its group. The company is exempt from the obligation to prepare and deliver consolidated financial statements under s400 of the Companies Act 2006 as it is a wholly owned subsidiary of Renewable Energy Generation Limited, a company incorporated in Jersey which produces group accounts.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Basis of preparation

The accounts have been prepared on the basis the company is a going concern, which the Directors' consider appropriate for the following reasons:

Following a reorganisation of the Group, the ongoing operations of the company are that of an intermediate holding company. This structure ensures that the company is not directly exposed to any activities, with all costs recharged to fellow group companies.

As such, the company is reliant on continued provision of support from other Group companies. Having made enquiries, the Directors are satisfied that sufficient funds are available, and can be provided from elsewhere in the group to ensure that the Company is able to continue to meet its cash flow demands, and settle its liabilities as they fall due. This assumption has been included in forecasts which have been approved by the board and indicate that it is appropriate to continue to prepare the financial statements on the going concern basis.

Turnover

Turnover in the current year represents the value of management services provided to subsidiary companies, excluding value added tax, in the UK.

Turnover in the prior year, which is discontinued, represented the value of recycled oils sold during the year, excluding value added tax, in the UK.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Stocks

Stocks are stated at the lower of cost and net realisable value. All stocks were transferred to another group company in the year.

REG Bio-Power UK Limited

Notes to the accounts For the year ended 30 June 2010

1. Accounting policies (continued)

Tangible fixed assets

Generation plant is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

Equipment, fixtures and fittings are stated at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets, other than assets in the course of construction, in order to write off each asset over its estimated useful life. The rates of depreciation charged are as follows:

Generation plant - 5 to 20 years

Equipment, fixtures and fittings - 4 years

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Share-based payment transactions

Equity-settled transactions – Employee Share Option Plan

Share options are awarded under the Employee Share Option Plan. Options can only be exercised if certain Performance Conditions are satisfied. The Performance Conditions are measured once only at the end of the Performance Period, which commences on the date of grant of the Options and ends on the third anniversary of that date.

The value delivered to the Company's shareholders will be ranked in comparison with the value delivered to the shareholders of nine other similar companies which have been selected by the Board of Directors. The companies are placed together in a "Comparator Group".

If the Company's ranking is below the median of the Comparator Group then the Options shall not vest and shall lapse at the end of the Performance Period. If the Company's performance places it at the median of the Comparator Group, then the Options shall be exercisable as to 50%. If the Company's ranking places it above the median of the Comparator Group then, depending on its exact placing in the Comparator Group, a percentage above 50% and up to 100% of the Options shall vest.

REG Bio-Power UK Limited

Notes to the accounts

For the year ended 30 June 2010

1. Accounting policies (continued)

Share based payment transactions (continued)

The cost of equity-settled transactions with employees under the Employee Share Option Plan is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Operating loss

	2010 £	2009 £
Operating profit is stated after charging:		
Depreciation and amortisation		
Owned assets	1,959	80,835
Rentals under operating leases		
Other operating leases	8,520	19,840
Auditors' remuneration		
audit fees	8,000	5,000
	<u>8,000</u>	<u>5,000</u>
The analysis of auditors' remuneration is as follows:		
Fees payable to the company's auditors for the audit of the company's annual accounts	<u>8,000</u>	<u>5,000</u>

4. Information regarding directors and employees

	2010 £	2009 £
Directors' remuneration		
Emoluments	306,219	142,426
Social security costs	37,940	17,313
Pension contributions	13,825	5,704
	<u>357,534</u>	<u>165,443</u>

REG Bio-Power UK Limited

Notes to the accounts For the year ended 30 June 2010

4. Information regarding directors and employees (continued)

	No.	No.
Average number of persons employed (including executive directors)		
Sales and distribution	3	1
Development	1	-
Administration	1	1
	<u>5</u>	<u>2</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	513,276	152,234
Social security costs	44,813	18,274
Pension costs	15,676	5,704
	<u>573,765</u>	<u>176,212</u>

5. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

	2010 £	2009 £
The tax credit is made up as follows:		
Current tax		
United Kingdom corporation tax at 28% (2009 – 28%) based on the profit for the year	6,294	-

(b) Factors affecting current tax charge

The tax assessed for the period is different to that resulting from applying the standard rate of corporation tax in the UK 28% (2009 - 28%) The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before taxation	-	(810,679)
Theoretical tax at UK corporation tax rate of 28% (2008 28%)	-	(226,990)
Effects of		
Expenses not deductible for for tax purposes	5,520	7,209
Capital allowances less than depreciation	774	22,634
Group relief	-	197,147
Total actual amount of current tax	<u>6,294</u>	<u>-</u>

(c) Factors affecting future tax charge

The Company has an unrecognised deferred tax asset of £3,812 (2009 - £21,825) The asset arises from trading losses and depreciation in excess of capital allowances A deferred tax asset has not been recognised in respect of these items as recoverability is uncertain

REG Bio-Power UK Limited

Notes to the accounts For the year ended 30 June 2010

6. Fixed asset investments

	2010 £	2009 £
Cost and net book value of Subsidiary undertakings		
At 1 July	1,375,453	1,375,453
Additions	2,599,800	-
At 30 June	3,975,253	1,375,453

The company owns all the issued share capital of Living Power Limited, a company that generates electrical power using non fossil fuel oils and is registered in England

The company owns all the issued share capital of Living Fuels Limited, a company that collects and recycles waste cooking oils and is registered in England

On 28 June 2010, the company restructured its shareholding in Living Power Limited, a 100% subsidiary. A further 599,900 £1 ordinary shares in Living Power Limited were issued to the company in consideration for the conversion of amounts owed by the subsidiary undertaking.

On 28 June 2010, the company restructured its shareholding in Living Fuels Limited, a 100% subsidiary. A further 1,999,900 £1 ordinary shares in Living Fuels Limited were issued to the company in consideration for the conversion of amounts owed by the subsidiary undertaking.

7. Tangible fixed assets

	Generation plant £	Equipment fixtures and fittings £	Total £
Cost			
At 1 July 2009	2,358,373	2,059	2,360,432
Additions	848,258	17,684	865,942
Disposals	(3,206,631)	-	(3,206,631)
At 30 June 2010	-	19,743	19,743
Depreciation			
At 1 July 2009	80,423	412	80,835
Charge for the year	-	1,959	1,959
Disposals	(80,423)	-	(80,423)
At 30 June 2010	-	2,371	2,371
Net book value			
At 30 June 2010	-	17,372	17,372
At 30 June 2009	2,227,950	1,647	2,229,597

REG Bio-Power UK Limited

Notes to the accounts For the year ended 30 June 2010

8. Stocks

	2010 £	2009 £
Raw materials	-	28,138

9. Debtors

	2010 £	2009 £
Amounts owed by other group companies	4,189,658	524,659
Other debtors	2,190	3,890
VAT	119,521	91,122
Prepayments and accrued income	10,878	158,355
	<u>4,322,247</u>	<u>778,026</u>

10. Creditors: amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	-	5,628
Trade creditors	371,050	-
Amounts owed to other group companies	942,785	5,474,550
Other creditors	-	59,215
Accruals and deferred income	115,906	9,980
	<u>1,429,741</u>	<u>5,549,373</u>

11. Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	8,000,000	100

During the year the company issued 7,999,900 ordinary shares of £1 each in consideration for the capitalisation of intercompany debt

Furthermore, the company adopted Companies Act 2006 Articles of Association, which included the removal of authorised share capital

REG Bio-Power UK Limited

Notes to the accounts For the year ended 30 June 2010

12. Reconciliation of shareholders' funds / (deficit) and movement on reserves

	Share capital £	Profit and loss account £	Total £
At 1 July 2008	100	(282,466)	(282,366)
Loss for the year	-	(810,679)	(810,679)
Share based payments	-	4,886	4,886
At 30 June 2009	100	(1,088,259)	(1,088,159)
Share issue	7,999,900	-	7,999,900
Loss for the year	-	(6,294)	(6,294)
Share based payments	-	8,743	8,743
At 30 June 2010	8,000,000	(1,085,810)	6,914,190

13. Share based payments

The Group operates a share options scheme under the Employee Share Option Plan. Options can only be exercised if certain Performance Conditions are satisfied. The Performance Conditions are measured once only at the end of the Performance Period, which commences on the date of grant of the Options and ends on the third anniversary of that date.

The fair value of the options is reported as an administrative expense with a corresponding increase in shareholders' equity. Fair value is calculated at the grant date and allocated over the period during which the benefit is earned. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the market value of the award as at the date of grant.

No further share options were granted during the year, and accordingly no table of fair values for options granted has been presented.

The expenses recognised for share based payments in respect of employee services received during the year to 30 June 2010 is £8,743 (2009 – £4,886).

For the share options outstanding as at 30 June 2010, the weighted average remaining contractual life is 8.4 years.

	Weighted average exercise price £	2010 Outstanding options No.	2009 Outstanding options No.
Outstanding as at 1 July	0.5725	125,000	-
Granted during the year	0.5725	-	125,000
Outstanding as at 30 June	0.5725	125,000	125,000
Exercisable at 30 June		-	-

REG Bio-Power UK Limited

Notes to the accounts

For the year ended 30 June 2010

14. Obligations under operating leases

The company has annual land and buildings commitments under non-cancellable operating leases as follows

	2010	2009
	£	£
Expiry date		
- less than one year	10,200	-
- between two and five years	-	19,840
	<u> </u>	<u> </u>

15. Related party disclosures

The company has taken advantage of the exemption under Financial Reporting Standard 8 from providing details of related party transactions with group related parties

16. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Renewable Energy Generation Limited, a company incorporated in Jersey. The Registered Office of the ultimate parent undertaking is Elizabeth House, 9 Castle Street, St Helier, Jersey, JE4 2QP.

The immediate parent company is REG Holdings Limited.

17. Subsequent events

On 9 March 2011 it was announced that the ultimate parent undertaking had secured a contract with The National Grid to provide Short Term Operating Reserve which will provide an additional revenue source for a subsidiary of the company.