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POST ROOM
PAID
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FRIDAY

Barcode

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COMPANIES HOUSE

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A59 10/10/2008 69

COMPANIES HOUSE



MAKING
QUALITY
ALCOHOL
NATURALLY

MANAGEMENT REPORT

Koninklijke Nedalco B V is a subsidiary of Koninklijke Coöperatie COSUN U.A., holding 100 % of the shares in Nedalco as from December 22, 2004. The main activity of the company and its subsidiaries exists in production and sale of alcohol out of agricultural feedstocks and coproducts, including related trading activities.

The accounts as mentioned above were prepared by the Board of Directors and audited by PricewaterhouseCoopers Accountants N.V. who gave their unqualified report thereon. We propose to the General Meeting of Shareholders to approve these accounts. The proposed appropriation of the profit has already been dealt with in the accounts.

For the period under review the gross turnover was € 115,8 mln, resulting in an operating result of € 8,6 mln, which is an improvement with regard to the comparable figures of the previous years, although margins were under pressure due to increasing raw materials prices. The net profit for the period under review was € 3,2 mln. In the last quarter of 2007 the construction of the new alcohol plant in Manchester was completed and its production of high quality alcohol was started. The amount of investment was £ 41,9 mln.

For financing the current operations and the new investments, the company has access to Cosun intergroup financing arrangements. This covers most of the capital needs, only a small part of the funding is still related to arrangement with a couple of commercial banks.

We postponed our decisions on investments for large scale bioethanol production due to increasing raw material prices, low market prices, the volatility of the relevant markets without having enough support from the national schemes to cover the related risks. Our bioethanol strategy focuses on development of "sustainable" alcohol based on 2nd generation raw materials.

Hereto we have increased our research and development activities in cooperation with third parties. The current strategy to maintain our successful positions in the traditional markets will be continued with increasing focus on the high end market segments.

Future developments in the personnel staff will be determined mainly by investments in new plants within the scope of our strategy and the closing / replacement of the Bergen op Zoom plant in 2010.

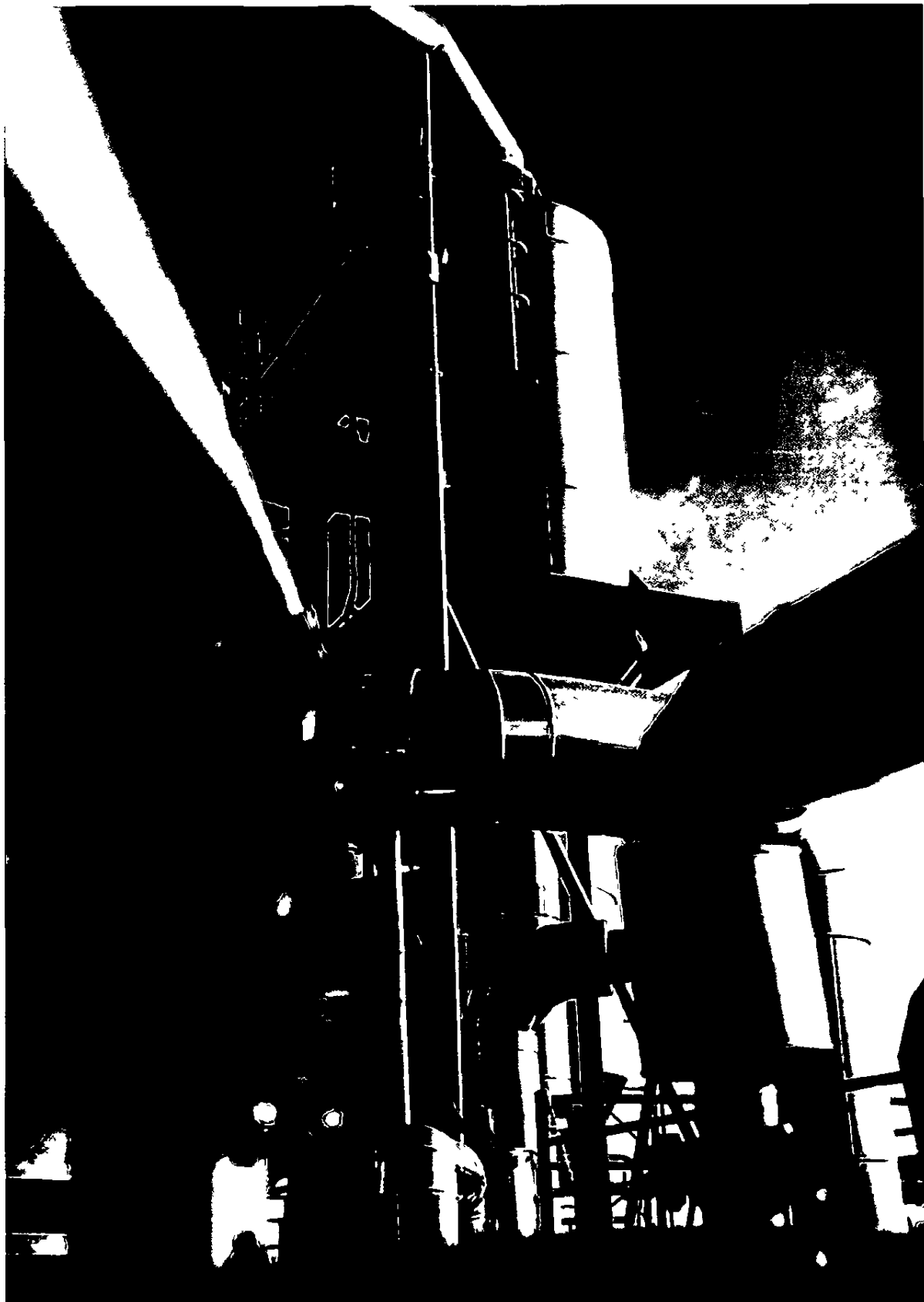
According to our strategy for the next years a steady growth in turnover and net profit is expected. The main risks are related to price developments of raw materials and energy.

From our responsibility for risk management, we have identified the general risks inherent to our industry - amongst them the excise and environmental risks - and the particular risks related to the business activities within our group. We believe we have implemented the policies, organization and procedures to manage and control these risks to the best of our knowledge and abilities and in good cooperation with our staff, local management, external auditors and other stakeholders.

On behalf of the Board of Directors
Bergen op Zoom, 7 July 2007
G G Berner, managing director

FINANCIAL STATEMENTS 2007

4



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FINANCIAL STATEMENTS

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1. CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2007

(after profit appropriation) (amounts * € 1 000)

ASSETS		December 31, 2007	December 31, 2006
<u>FIXED ASSETS</u>			
4 6	<u>Intangible fixed assets</u>	193	193
4 7	<u>Tangible fixed assets</u>		
	Land and buildings	7 368	7 429
	Plant and machinery	115 808	56 592
	Furniture, fixtures and fittings	3 234	3 024
	Other fixed assets	7	7
	Projects under construction	4 278	26 278
		130 695	93 330
4 8	<u>Financial fixed assets</u>		
	Deferred tax assets	9	142
4 9	<u>Long term debtors</u>	0	36
<u>CURRENT ASSETS</u>			
4 10	<u>Stock</u>		
	Raw materials and consumables	12 550	9 978
	Finished products	6 290	7 511
		18 840	17 489
4 11	<u>Debtors</u>		
	Debtors	11 654	13 539
	Due from shareholders	0	1
4 12	<u>Other debtors, prepayments and accrued income</u>		
		8 601	4 298
		20 255	17 838
4 13	<u>Cash at bank and in hand</u>	5 658	4 138
	<u>TOTAL</u>	<u>175 650</u>	<u>133 166</u>

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2007

(after profit appropriation) (amounts * € 1.000)

SHAREHOLDERS' EQUITY AND LIABILITIES

	December 31, 2007	December 31, 2006
4 14 <u>GROUP EQUITY</u>	35 916	32 701
4 15 <u>PROVISIONS</u>		
Deferred tax liability	2 813	2 588
Other	3 753	3 833
	6 566	6 421
4 16 <u>LONG TERM LIABILITIES</u>		
Loans shareholder	97 450	45 000
Other loan	402	412
Bank loan	4 151	4 989
	102.003	50 401
4 17 <u>CURRENT LIABILITIES</u>		
Bank overdraft	1 250	10 240
Trade creditors	10 169	14 307
Due to shareholders	8 246	12 508
Other liabilities, accruals and deferred income	11 500	6 588
	31 165	43 643
<u>TOTAL</u>	<u>175 650</u>	<u>133 166</u>

2. CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2007

(amounts * € 1.000)

	2007	2006/Q4
4 18 Gross turnover	115 800	26 303
Direct selling expenses	10.434	2 528
<u>Net turnover</u>	105 366	23 775
Change in stock of finished goods	-1 378	2.350
Other operating income	648	18
<u>Total operating income</u>	104 636	26 143
<u>Operating expenses</u>		
4 19 Costs of raw materials and consumables	62 651	15 385
4 20 Staff costs	10 988	2 547
4 22 Depreciation and other decrease in value of tangible fixed assets	2 965	649
Other operating costs	19 479	5 401
<u>Total operating expenses</u>	96 083	23 982
<u>Operating result</u>	8 553	2 161
4 23 Interest	-4 186	-504
<u>Group result before taxation</u>	4 367	1 657
4 24 Taxes	1 152	430
<u>Group result after taxation</u>	3 215	1.227

3. CONSOLIDATED CASH FLOW STATEMENT

(amounts * € mln)

	2007	2006/Q4
Cash flow from operating activities		
Operating result	8,6	2,1
Adjustments for		
- depreciation	3,0	0,6
- long term debtors	0,0	0,0
- deferred tax assets	0,1	0,3
- provisions	0,1	-0,1
	<u>3,2</u>	<u>0,8</u>
	11,8	2,9
Movement in working capital		
- debtors	-2,4	1,0
- stock	-1,4	-10,6
- trade creditors and such	-3,5	11,5
	<u>-7,3</u>	<u>1,9</u>
Cash flow from commercial operations	4,5	4,8
Interest	-4,1	-0,5
Corporate income tax	-1,2	-0,4
	<u>-5,3</u>	<u>-0,9</u>
Cash flow from operating activities	-0,8	3,9
Cash flow from investing activities		
Disinvestments in tangible fixed assets	0,0	0,2
Investments in tangible fixed assets	-40,3	-8,8
	<u>-40,3</u>	<u>-8,6</u>
<u>Cash flow from investing activities</u>	-40,3	-8,6
Cash flow from financing activities		
Decrease other reserve	0,0	0,0
Loans	51,6	1,8
Bank overdraft	-9,0	3,7
	<u>42,6</u>	<u>5,5</u>
<u>Cash flow from financing activities</u>	42,6	5,5
<u>Net cash flow</u>	1,5	0,8

The cash flow statement has been prepared applying the indirect method. The net cash flow in the cash flow statement comprises the balance sheet items cash at banks and in hand.

4. NOTES TO THE CONSOLIDATED ACCOUNTS

4.1 GENERAL

The principles of consolidation, valuation and determination of result remained unchanged compared with the previous year

The amounts included in the notes are denominated in thousands of Euro's, unless otherwise indicated.

The activities of the companies are producing alcohol for consumer, technical and medical consumer purposes

The Company decided to change the financial year from 1 October – 30 September into 1 January – 31 December. The company has opted for a shortened financial year for the period 1 October 2006 – 31 December 2006. This decision was confirmed by notarial deed dated 28 of December 2006, before approval of the financial statements 2005/2006 by the Board of Directors. As a consequence, the comparing figures cover the period from 1 October 2006 until 31 December 2006, shortly indicated as 2006/Q4

4.2 CONSOLIDATION

The consolidated 2007 financial statements comprise the financial data of Royal Nedalco in Bergen op Zoom and those of the following group companies

- Nedalco International B.V. (Bergen op Zoom) (100%)
- Belgalco N.V. (Gent, Belgium) (100%)
- L. Brüggemann Beteiligungs GmbH (Heilbronn, Germany) (50%)
- Brüggemann Alcohol GmbH & Co KG (Heilbronn, Germany) (50%)
- Brüggemann Alcohol Nederland B.V. (Tiel) (50%)

For the preparation of Royal Nedalco's financial statements, the exemption offered by article 402, Book 2 Title 9 of the Dutch Civil Code has been applied to the profit and loss account.

Participating interests in joint ventures are consolidated proportionately. An entity qualifies as a joint venture if its participants jointly exercise control under a collaborative agreement.

Intercompany transactions, profits and balances among group companies are eliminated. All group companies are considered to be related parties. The parent company Royal Cosun also qualifies as a related party.

4.3 PRINCIPLES OF VALUATION AND DETERMINATION OF RESULT

The consolidated annual accounts were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The principles of valuation have been set out below in the notes to the individual balance sheet headings. Valuation occurs at face value, unless otherwise indicated.

Result represents the difference between the realized value of the goods delivered/services rendered and the costs and other charges for the year, valued at purchase price. Profits from transactions are recognized in the year in which they are realized; losses are taken as soon as they are foreseeable.

Corporate income tax receivable or payable is computed on the result for financial statement purposes, taking into account permanent differences between profit calculations for financial statement purposes and those for tax purposes. These differences are included in tax on the result from ordinary activities.

4.4 FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing on balance sheet date. Transactions in foreign currencies during the reporting period have been processed in the financial statements at the rate prevailing at the moment of the transaction.

4.5 ESTIMATES

In applying the accounting policies and guidelines for preparing the financial statements, the Management Board of Royal Nedalco B.V. makes a range of estimates and judgments that might be essential for the amounts disclosed in the financial statements. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

4.6 INTANGIBLE FIXED ASSETS

Costs of intangible fixed assets, including patents and licences, are valued at acquisition cost and amortised on a straight-line basis over the remaining economic life, with a maximum of 5 years. Depreciation commences at the start of commercial production.

Book value as January 1, 2007
Additions

Book value as December 31, 2007

	193
	0
	<hr/>
	193

4.7 TANGIBLE FIXED ASSETS

Tangible fixed assets are valued as follows:

- the tangible fixed assets purchased before September 30, 1988 are carried at the current value as of September 30, 1988 less depreciation. Depreciation takes place on the basis of the remaining useful life,
- the tangible fixed assets purchased after September 30, 1988 are carried at historical cost less depreciation

Land is not depreciated

On June 9, 2004 Nedalco entered into an agreement with the municipality of Bergen op Zoom to sell its company grounds, including the buildings and machinery, for a total amount of € 60 mln. Nedalco is obliged to deliver the company grounds before January 1, 2012.

As a result of this agreement the remaining useful life has changed, as well as the residual value of all the tangible fixed assets regarding the company grounds at Bergen op Zoom. Because the residual value is significantly higher than the current book value the depreciation is recalculated resulting in a depreciation as from June 9, 2004 being nil

On September 15, 2006 Nedalco entered into a preliminary agreement to sell its company grounds in Italy, including the buildings and The company grounds will be delivered before September 15, 2008.

As a result of this agreement the remaining useful life has changed, as well as the residual value of all the tangible fixed assets regarding the company grounds in Italy. Because the residual value is significantly higher than the current book value the depreciation is recalculated resulting in a depreciation as from September 15, 2006 being nil

Plant and machinery includes € 3 mln in respect of a provision relating to the dismantling of the company grounds at Bergen op Zoom

During the financial year an amount of € 2.118.000 was capitalised in respect of interest during construction of tangible fixed assets. As at the balance sheet date, interest totalling at € 3 312.000 has been capitalised

Tangible fixed assets acquired under financial leases have a book value of € 1,2 mln.

On December 1st 2007 the plant in Manchester was considered fully operational. Therefore the total costs of GBP 41.941 000 is activated per December 1st 2007 (against the average exchange rate of all project expenses = EUR 1,4552).

As additional security for all amounts payable in respect of excise duties, import duties and VAT, the right of first mortgage on the property in Bergen op Zoom has been granted to the State of the Netherlands up to an amount of € 9,1 mln.

A number of lots owned by the company have been leased out, partly for free, to the Municipality of Bergen op Zoom until December 31, 2050 inclusive. The company holds the building right on the Theodorushaven landing in Bergen op Zoom.

The changes in tangible fixed assets can be summarized as follows:

	land and buildings	plant and machinery	furniture, fixtures and fittings	other fixed assets	project under constr.	total
Book value on January 1, 2007	7 429	56.592	3 024	7	26 278	93 330
Changes						
Additions	0	0	0	0	40 330	40 330
Reclassifications	84	61 954	292	0	-62 330	0
Depreciation	-145	-2 738	-82	0	0	-2 965
Disinvestments	0	0	0	0	0	0
Balance	-61	59 216	210	0	-22 000	37 366
Book value on December 31, 2007	7 368	115 808	3 234	7	4 278	130 695
Cumulative depreciation and other decrease in value	4 351	35 141	5 321	116	0	44 929
Depreciation rates	0-3,3	5-10	10-33,3	20-33,3		

4.8 FINANCIAL FIXED ASSETS

Deferred tax assets

The receivable for deferred taxes assets relates to carry forward of loss compensation and the differences present on balance sheet date between the valuation of assets for financial statement purposes and that for tax purposes and is computed on the basis of the rate prevailing

Book value as January 1, 2007	142
Withdrawals	-133
Book value as December 31, 2007	9

4.9 LONG TERM DEBTORS

This item included a receivable on employees for prepaid pension premiums with a duration up to maximum 1 year

4.10 STOCK

Stock is valued at full cost or purchases prices. Market value is used where this is lower.

Co-products are valued at market value.

4.11 DEBTORS

Trade debtors are valued at face value less a provision for possible non-collectability

4.12 OTHER DEBTORS, PREPAYMENTS AND ACCRUED INCOME

The VAT amount receivable is the largest part of the current assets. In addition, an amount of € 1 033 000 (of a long-term nature) is included with reference to the Employee benefits asset arising from RJ 271 (see 4.15)

4.13 CASH AT BANK AND IN HAND

Cash includes a blocked bank deposit up to € 2.610.000 related to a financial lease arrangement.

4.14 GROUP EQUITY

For notes to group equity, reference is made to the notes to the shareholder's equity as included in the corporate balance sheet as of December 31, 2007

4.15 PROVISIONS**Deferred tax liability**

The provision for deferred taxes relates to the differences present on balance sheet date between the valuation of liabilities for financial statement purposes and that for tax purposes (exclusive of the land on which the buildings have been erected) and is computed on the basis of the rate prevailing

Book value as January 1, 2007

Dotations

2 588
225
2 813

Book value as December 31, 2007

Other

The other provisions include provisions for restructuring costs, for the costs of retirement of employees and dismantlement of the company grounds at Bergen op Zoom

Restructuring costs
Dismanteling site Bergen op Zoom
Employee benefits obligations

2007	2006/Q4
461	553
3 000	3 000
292	280
3 753	3 833

Restructuring costs

There have been withdrawals only and no dotations. This provision will be decreasing until the end in 2012.

Employee benefits obligations

The company has a defined benefit scheme. These provide defined pension benefits to staff upon reaching retirement age, the amount of which depends on age, salary and years of service.

The pension provision carried on the balance sheet is the present value of pension benefit obligations under the defined benefit scheme net of the fair value of plan assets, against which unrecognised actuarial gains or losses and unrecognised past service costs are set off. The required pension provision is measured annually by independent actuaries using the actuarial method known as the 'Projected Unit Credit' method. The jubilee scheme is calculated accordingly.

Actuarial gains and losses arising from changes in actuarial assumptions exceeding 10% of the higher of pension benefit obligations and the fair value of plan assets at the opening of the financial year are credited or charged to the profit and loss account over the expected average future years of service of the employees concerned.

Movements in the employee benefits obligations for defined benefit schemes are as follows:

	2007	2006/Q4
At 1 January	280	321
Attributed pension and jubilee costs	783	9
Actuarial loss/(gain) recognised	-54	0
Pension and jubilee contributions paid	-1 750	-50
At period - end	-741	280
Presented in the balance sheet		
Included under prepayments and accrued income	-1 033	0
Included under provisions	292	280
	-741	280

The preliminary group calculation relating to the employee benefits obligations as at 31 December 2007 can be analysed as follows

	Dec 31, 2007
Present value of employee benefits obligations funded by plan assets	30 757
Fair value of plan assets	-32 839
Present value of employee benefits obligations not funded by plan assets	-2 082
Unrecognised actuarial gains (losses)	1 768
Past service costs attributable to future years	-427
Net employee benefits obligations	-741

The main actuarial assumptions are as follows

	2007
	%
Discount rate	5,50
Expected return on plan assets	5,55
Expected salary increases	2,50
Expected indexation of pensions	1,40

4.16 LONG TERM LIABILITIES

This item includes:

	Dec 31, 2007	Dec 31, 2006
Loans shareholder	97 450	45 000
Other loan	402	412
Bank loan	4 151	4 989
	102 003	50 401

The shareholder-loan, € 5 mln, is agreed for a resulting period of 3 years. Repayment will take place in a bullet mode at 24 September, 2010. The loan is subordinated to the bank loans. The interest is IRS related and is fixed on 7,15% during the duration.

The other shareholder-loan, € 92,450 mln, is agreed for a not further detailed period. This agreement is to avoid unnecessary financing cost for the group. Repayments will take place based on free available cash flow in the coming years. The interest rates are Euribor / IRS related plus 1,1%. As per 31 December, 2007 an amount up to € 92,450 mln has a duration of more than 1 year

The other loan is a financial lease. Repayment will take place in an annuity mode on a quarterly basis. The interest is agreed on 4,875% for 25 years. As per 31 December 2007 an amount up to € 392.595 has duration above 1 year, an amount of € 347 664 has a duration above 5 years.

The long term banking loan is related to a sale and lease back construction on the Italian assets of former Distillerie Orbat SpA, actually hold by the Italian branch of Royal Nedalco. For this loan, a bank guarantee up to € 4 mln is applicable. As per 31 December, 2007 an amount up to € 3,421 mln has a duration above 1 year

4.17 CURRENT LIABILITIES

Other liabilities, accruals and deferred income

This item includes amongst others

	Dec 31, 2007	Dec 31, 2006
VAT payable	3 803	672
Excise duty payable	41	42
Taxes and social charges	373	263
Corporate income tax payable	539	134

Market risk

- Currency risk

The Group is mainly active in the European Union. The Group's currency risk mainly relates to positions and future transactions in US dollars and British pounds. Based on a risk analysis, the Group's Boards of Directors determined that part of the currency risks be hedged. To this end, use is made of forward exchange contracts within the Cosun Group. Liabilities denominated in US dollars are hedged.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing receivables and interest-bearing long-term and current liabilities (including loans to credit institutions).

The Group is exposed to the consequences of variable interest rates on receivables and liabilities. In relation to fixed interest receivables and liabilities, it is exposed to market values

The Group has not entered into any derivative contracts to hedge the interest risk on receivables

Credit risk

The Group does not have any significant concentrations of commercial credit risk.

The Group uses a selection of banks in order to be in a position to use more than one facility. Where necessary, guarantees and collateral is granted to banks in order to secure facilities.

4.18 GROSS TURNOVER

Gross turnover was realized in the following geographic areas.

	2007	2006/Q4
The Netherlands	28 208	9 963
EU Countries	87 393	16 286
Non-EU countries	199	54
	115 800	26 303

4.19 COSTS OF RAW MATERIALS AND CONSUMABLES

Raw material costs are generated up to 25 % from transactions at market prices with related parties (Koninklijke Coöperatie Cosun u.a.).

4.20 EMPLOYEES

In 2007 the group employed 132 persons on average (Q4 2006: 121).

	2007	2006/Q4
The Netherlands	108	100
EU Countries	24	21
	132	121

The amounts paid out are as follows	2007	2006/Q4
Salaries and wages	6 639	1 691
Social charges	754	200
Pension charges	815	314
	8 208	2 205

4.21 DIRECTORS

The remuneration of the director is withheld making use of the stipulation in article 383 1, Title 9, Book 2 of the Dutch Civil Code.

4.22 DEPRECIATION & OTHER OPERATING COSTS

Compared to 2006/Q4 no accelerated amount of depreciation or one-off items are included in 2007.

4.23 INTEREST

Interest includes the balance between interest income, interest costs and the amount of interest capitalised on investments

	2007	2006/Q4
Interest income	242	26
Interest cost	-503	-332
Capitalised interest	2 118	178
Interest intercompany	-6 043	-376
	-4 186	-504

4.24 TAXES RESULT FROM ORDINARY ACTIVITIES

The tax charge for the financial period 2007 (26,4%) is affected by taking into accounts the results of related companies.

The nominal tax rate for 2007 is 25,5% (Q4-2006 29,6%)

4.25 CONTINGENCIES AND COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

The total amount of guarantees Royal Nedalco has given vis à vis third parties is € 8,6 mln as of December 31, 2007, of which € 4,0 mln is related to a financial lease agreement. The outstanding liabilities from operational lease contracts as of December 31, 2007 amount to € 100.000.

With the partner in a joint venture, agreements are made regarding the right to buy the partner's participation in the joint venture and/or the obligation to take over the partner's participation.

On 13 November 2006 the company entered as guarantor into a € 150 mln senior standby revolving credit facility agreement made between the shareholder Royal Cosun and several banks.

Royal Nedalco has entered into investment commitments up to € 1,9 mln.

Fiscal unity

The company forms a fiscal unity for corporate income tax purposes with Royal Cosun. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group. The tax expense recognised in the annual accounts is based on its profit for financial reporting purposes.

5. CORPORATE BALANCE SHEET AS OF DECEMBER 31, 2007

(after profit appropriation) (amounts * € 1.000)

ASSETS

FIXED ASSETS

Intangible fixed assets

193

193

7.2 Tangible fixed assets

Land and buildings

7 300

7 361

Plant and machinery

115 582

56 419

Furniture, fixtures and fittings

3 234

2 987

Other fixed assets

7

7

Projects under construction

4 279

26 265

130 402

93 039

7.3 Financial fixed assets

Group companies

5 284

4 530

Due from participations

1 918

1 918

Deferred tax assets

9

142

Other financial debtors

0

36

7 211

6 626

CURRENT ASSETS

Stock

Raw materials and consumables

11 470

9 391

Finished products

5 335

5 928

16 805

15 319

Debtors

Trade debtors

8 262

9 601

Due from group companies

2 196

2 151

Due from shareholder

0

5

Other debtors, prepayments and accrued income

7 814

3 742

18 272

15 499

Cash at bank and in hand

4 905

2 989

TOTAL

177 788

133 665

CORPORATE BALANCE SHEET AS OF DECEMBER 31, 2007

(after profit appropriation) (amounts * € 1.000)

SHAREHOLDERS' EQUITY AND LIABILITIES

	December 31, 2007	December 31, 2006
7 4 SHAREHOLDERS' EQUITY		
Paid-up and called-up capital	4 538	4 538
Legal reserve	193	193
Share premium reserve	9 959	9 959
Other reservers	21 226	18 011
	35 916	32 701
PROVISIONS		
Deferred tax liability	2 813	2 588
Other	3 753	3 833
	6 566	6 421
7 5 LONG TERM LIABILITIES		
Loans shareholder	97 450	45 000
Other loan	402	412
Bank loan	4 101	4 980
	101 953	50 392
7 6 CURRENT LIABILITIES		
Bank overdraft	0	9 391
Trade creditors	9 351	13 325
Due to shareholders	9 642	12 508
Due to group companies	4 254	3 162
Other liabilities, accruals and deferred income	10 106	5 765
	33 353	44 151
TOTAL	177 788	133 665

6. CORPORATE PROFIT AND LOSS ACCOUNT FOR 2007

(amounts * € 1.000)

	2007	2006/Q4
7.8 Income from group companies	754	87
Other income and expense after taxes	2 461	1 140
<u>Net result</u>	<u>3 215</u>	<u>1 227</u>

7. NOTES TO THE CORPORATE ACCOUNTS

7.1 GENERAL

The financial statements of Royal Nedalco have been included in the consolidated financial statements. The consolidated group companies are valued at net asset value. Valuation of the other assets and liabilities occur according to the principles of valuation set out in the notes to the consolidated accounts. The same applies to the method for the determination of result. Consequently, the shareholders' equity and the net result of Royal Nedalco are the same as those according to the consolidated financial statements, reference is made to the notes thereto. The amounts mentioned in the notes are denominated in thousands of Euro's, unless otherwise indicated.

7.2 TANGIBLE FIXED ASSETS

Tangible fixed assets are valued as follows:

- the tangible fixed assets purchased before September 30, 1988 are carried at the current value as of September 30, 1988 less depreciation. Depreciation takes place on the basis of the remaining useful life,
- the tangible fixed assets purchased after September 30, 1988 are carried at historical cost less depreciation.

Land is not depreciated.

On June 9, 2004 Nedalco entered into an agreement with the municipality of Bergen op Zoom to sell its company grounds, including the buildings and machinery, for a total amount of € 60 mln. Nedalco is obliged to deliver the company grounds before January 1, 2012.

As a result of this agreement the remaining useful life has changed, as well as the residual value of all the tangible fixed assets regarding the company grounds at Bergen op Zoom. Because the residual value is significantly higher than the current book value the depreciation is recalculated resulting in depreciation as from June 9, 2004 being nil.

On September 15, 2006 Nedalco entered into a preliminary agreement to sell its company grounds in Italy, including the buildings and machinery. The company grounds will be delivered before September 15, 2008.

As a result of this agreement the remaining useful life has changed, as well as the residual value of all the tangible fixed assets regarding the company grounds in Italy. Because the residual value is significantly higher than the current book value the depreciation is recalculated resulting in a depreciation as from September 15, 2006 being nil.

Plant and machinery includes € 3 mln in respect of a provision relating to the dismantling of the company grounds at Bergen op Zoom.

During the financial year an amount of € 2.118.000 was capitalised in respect of interest during construction of tangible fixed assets. As at the balance sheet date, interest totalling at € 3.312.000 has been capitalised.

Tangible fixed assets acquired under financial leases have a book value of € 1,2 mln.

On December 1st 2007 the plant in Manchester was considered fully operational. Therefore the total costs of GBP 41.941 000 is activated per December 1st 2007 (against the average exchange rate of all project expenses = EUR 1,4552)

As additional security for all amounts payable in respect of excise duties, import duties and VAT the right of first mortgage on the property in Bergen op Zoom has been granted to the State of the Netherlands up to an amount of € 9,1 mln

A number of lots owned by the company have been leased out, partly for free, to the municipality of Bergen op Zoom until December 31, 2050 inclusive. The company holds the building right on the Theodorushaven landing in Bergen op Zoom

The changes in tangible fixed assets can be summarized as follows

	land and buildings	plant and machinery	furniture, fixtures and fittings	other fixed assets	project under constr	total
Book value on January 1, 2007	7 361	56 419	2 987	7	26 265	93 039
Changes						
Additions	0	0	0	0	40 245	40 245
Reclassification	84	61 855	292	0	-62 231	0
Depreciation	-145	-2 692	-45	0	0	-2 882
Disinvestments	0	0	0	0	0	0
Capital gain Italy	-61	59 163	247	0	-21 986	37 363
Balance						
Book value on December 31, 2007	7 300	115 582	3 234	7	4 279	130 402

Cumulative depreciation
and other decrease
in value

4 255	34 898	5 256	101	0	44 510
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Depreciation rates

0-3,3	5-10	10-33,3	20-33,3
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7.3 FINANCIAL FIXED ASSETS

Participations

The financial fixed assets are carried at net asset value as per the balance sheets of the group companies at year end. The group companies are:

- Nedalco International B.V., Bergen op Zoom (100%) with the participations in
- Belgalco, Gent, Belgium (100%),
- L. Brüggemann Beteiligungs GmbH, Heilbronn, Germany (50%),
- Brüggemann Alcohol GmbH & Co KG, Heilbronn, Germany (50%),
- Brüggemann Alcohol Nederland B.V., Tiel (50%)

The changes in the financial fixed assets can be summarized as follows:

Group companies

Book value as January 1, 2007

Result participations

Other

Book value as December 31, 2007

4 530
754
5 284

Deferred tax assets

The receivable for deferred taxes assets relates to carry-forward loss compensation and the differences present on balance sheet date between the valuation of assets for financial statement purposes and that for tax purposes and is computed on the basis of the rate prevailing.

Book value as January 1, 2007

Withdrawals

Book value as December 31, 2007

142
133-
9

7.4 SHAREHOLDERS' EQUITY

Paid-up and called-up capital

No changes took place during the financial year

Nominal share capital

Not subscribed share capital

Authorized share capital

22 500
17 962-
4 538

The authorized share capital of the company as of 31 December 2007 amounts to EUR 4.537 800 and consists of 10 084 ordinary shares of EUR 450,- each

Legal reserve

The legal reserve is maintained in respect of the capitalized costs of intangible fixed assets amounting to € 193.000.

Book value as January 1, 2007
Addition

193
0

Book value as December 31, 2007

193

Share premium reserve

Book value as January 1, 2007
Addition

9 959
0

Book value as December 31, 2007

9 959

Other reserves

Book value as January 1, 2007
Result bookyear 2007

18 011
3 215

Book value as December 31, 2007

21 226

7.5 LONG TERM LIABILITIES

This item includes

Loans shareholder
Other Loan
Bank loan

Dec 31, 2007	Dec 31, 2006
97 450	45 000
402	412
4 101	4 980
101 953	50 392

The shareholder-loan, € 5 mln, is agreed for a resulting period of 4 years. Repayment will take place in a bullet mode at 24 September, 2010. The loan is subordinated to the bank loans. The interest is IRS related and is fixed on 7,15% during the duration.

The other shareholder-loan, € 92,450 mln, is agreed for a not further detailed period. This agreement is to avoid unnecessary financing cost for the group. Repayments will take place based on free available cash flow in the coming years. The interest rates are Euribor / IRS related plus 1,1%. As per 31 December, 2007 an amount up to € 92,450 mln has a duration of more than 1 year.

The other loan is a financial lease. Repayment will take place in an annuity mode on a quarterly basis. The interest is agreed on 4,875% for 25 years. As per 31 December 2007 an amount up to € 392.595 has a duration above 1 year, an amount of € 347.664 has a duration above 5 years.

The long term banking loan is related to a sale and lease back construction on the Italian assets of former Distillene Orbat SpA, actually held by the Italian branch of Royal Nedalco. For this loan, a bank

guarantee up to € 4 mln is applicable. As per 31 December, 2007 an amount up to € 3,421 mln has a duration above 1 year.

7.6 CURRENT LIABILITIES

Other liabilities, accruals and deferred income

This item includes amongst others

	Dec 31, 2007	Dec 31, 2006
Taxes and social charges	206	259
Excise duty payable	41	42
Corporate income tax payable	237	0
	484	301

7.7 COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

The total amount of guarantees Royal Nedalco has given vis à vis third parties is € 8,4 mln as of December 31, 2007, of which € 4,0 mln is related to a financial lease agreement. The outstanding liabilities from operational lease contracts as of December 31, 2007 amount to € 100 000.

With the partner in a joint venture, agreements are made regarding the right to buy the partner's participation in the joint venture and/or the obligation to take over the partner's participation.

On 13 November 2006 the company entered as guarantor into a € 150 mln senior standby revolving credit facility agreement made between the shareholder Royal Cosun and several banks.

Royal Nedalco has entered into investment commitments up to € 1,9 mln.

Fiscal unity

The company forms a fiscal unity for corporate income tax purposes with Royal Cosun. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group. The tax expense recognised in the annual accounts is based on its profit for financial reporting purposes.

7.8 INCOME FROM GROUP COMPANIES AFTER TAXATION

	Dec 31, 2007	Dec 31, 2006
Group companies	754	87

Bergen op Zoom, 7 July 2008

Director

Dr Ir. G G Berner

To the General Meeting of Shareholders of
Koninklijke Nedalco B V

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Koninklijke Nedalco B V , Bergen op Zoom as set out on pages 6 to 27 which comprise the consolidated and company balance sheet as at 31 December 2007, the consolidated and company profit and loss account for the year then ended and the notes

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

116 152/TV/e0068279a/HDC/VA

PricewaterhouseCoopers is the trade name of among others the following companies PricewaterhouseCoopers Accountants N V (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N V (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N V (Chamber of Commerce 34180287) and PricewaterhouseCoopers B V (Chamber of Commerce 34180289) The services rendered by these companies are governed by General Terms & Conditions, which include provisions regarding our liability These General Terms & Conditions are filed with the Amsterdam Chamber of Commerce and can also be viewed at www.pwc.com/nl

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Koninklijke Nedalco B V as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code

Breda, 14 July 2008

PricewaterhouseCoopers Accountants N V


A.J.M. Vercammen RA

PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

Article 17 on profit and loss

According to article 17 the profit of the year is at the disposal of the general meeting of shareholders.

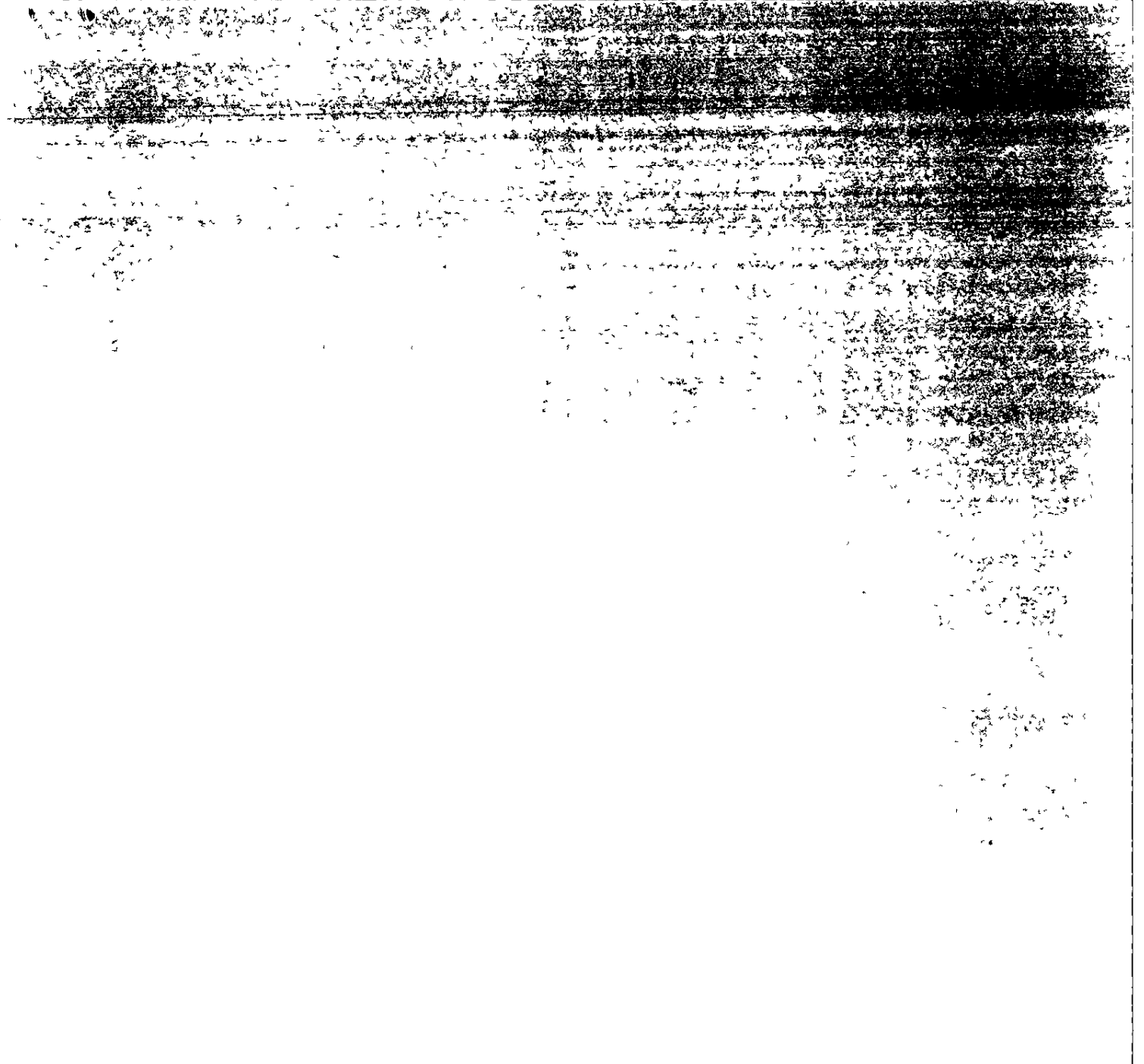
PROPOSED PROFIT APPROPRIATION

It will be proposed to the general meeting of shareholders to add the result for the financial year 2007 amounting to € 3 215.000 to the other reserves.

In anticipation of the adoption of this resolution, this proposal has already been incorporated in the balance sheet.



FINANCIAL STATEMENTS 2007



MAKING
QUALITY
ALCOHOL
NATURALLY