

Registered no. 06003328

FLEX FUELS ENERGY LIMITED

FINANCIAL STATEMENTS

**YEAR ENDED
31 DECEMBER 2008**



**LUBBOCK FINE
Chartered Accountants
Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ**

FLEX FUELS ENERGY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

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FLEX FUELS ENERGY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mark Paulson
Iestyn Morgan
Tom Barr
Graham Hilton
Brian Barrows

Company secretary

Helen Wallace

Registered office

14 South Molton Street
London
W1K 5QP

Auditor

Lubbock Fine
Chartered Accountants
& Registered Auditor
Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

Bankers

HSBC Bank plc
97 Bute Street
Cardiff CF10 5NA

FLEX FUELS ENERGY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2008

The directors present their report and the financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was as a business focused on infrastructure development opportunities connected with processing of oil seed feed stocks.

At the year end December 31, 2007 Flex Fuels Energy Ltd ('FFE Ltd') planned to construct, own and manage seed processing facilities, refineries producing biodiesel products (and associated power generation facilities if commercially desirable) and to engage in the business of supplying and distributing biodiesel products. FFE Ltd further planned to specialize in the conversion of oil seed bearing crops to energy.

FFE Ltd's goal at the year end December 31, 2007 was to deliver a number of high yielding renewable energy projects that logically fitted into a vertically integrated structure. The overarching principle at that time was for FFE Ltd to manage (directly or indirectly) the biofuel supply chain from "farm to fuel". FFE Ltd was negotiating United Kingdom oil seed rape supply which is expected to form a reliable contracted base line supply of oil seed that can be crushed to produce high quality oil for sale or for the use in its prospective the refinery business. At the year end December 31, 2007 the seed was also expected to form the base line supply for the crush plant and refinery in combination with offshore swing oils to improve margins. At that time FFE Ltd was also evaluating oil seed production in Eastern Europe and other sustainable feed-stocks as feedstock options. Company's management believed at that time the United Kingdom energy market provided significant incentives for renewable sources of energy and this would allow for advantageous contracts to be formed which would underpin all of FFE Ltd's project, as planned at that time, economics.

FFE Ltd has incurred operating losses since inception and has generated no revenues from continuing operations. As a result, FFE Ltd has generated negative cash flows from operations.

In October 2008 FFE Ltd, following a strategy review, determined that unexpected developments in the emerging Renewable Transport Fuel Obligation legislation and an unattractive biodiesel market made it undesirable to pursue the development of biodiesel refining capacity at that time. It was decided to pursue the oilseed crushing project in isolation, with a view to adding biodiesel refining capacity at a later time when economics made it desirable.

In December 2008, following a change in management of Flex Fuels Energy, Inc. (FFE Ltd's parent company and sole member) FFE Ltd commenced a review of its planned oilseed crushing project. At December 2008 management believed that the oilseed crushing project was subject to material doubts about its viability, a final funding path for development has not been decided upon but options examined included direct development, joint venture development, whole or part divestment, or termination and shutdown of the planned oilseed crushing project.

While the directors are reviewing the prospects for the company and believe appropriate actions are being taken to determine its future, there can be no assurance that management's efforts will be

FLEX FUELS ENERGY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

successful or that the prospective products of FFE Ltd will have a viable market or be accepted by consumers. Notwithstanding the uncertainty around the strategic direction of the Company at 31st December, 2009, the Company and its parent undertaking have sufficient liquid resources to continue as a going concern over the next 12 months.

Subsequent events

In the first half of calendar year 2009 management of the parent company concluded that FFE Ltd's position in the oilseed crushing project had been materially compromised, determining that the total project required approximately in excess of £100,000,000 in total funding to achieve optimum efficiency.

The state of the financial markets at that time made it impossible for FFE Ltd or its parent company to raise the new financing required for us to finance the project and retain a meaningful stake therein. Project divestment options were explored but no adequate offer was received. Accordingly the operations of FFE Ltd were shut down in an orderly manner and overhead reduced to a minimum with intention, subject to a determination of the impact on the parent company, of FFE Ltd entering dormancy or an orderly winding up.

Charitable and political contributions

There were no charitable or political contributions made during the year.

Financial instruments

The main financial risks arising from the company's activities are interest rate risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The company's policy in respect of interest rate risk and liquidity risk is to maintain readily accessible bank deposit accounts to ensure the company has sufficient funds for operations. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate.

Employment of disabled persons

The company is committed to the recruitment and promotion of staff on the basis of aptitude and ability without discrimination of any kind.

Employee involvement

Both a management and team meeting are held once per month in order to relay matters of current interest and concern to all members of staff.

RESULTS AND DIVIDENDS

The loss for the year amounted to £864,736. The directors have not recommended a dividend.

FLEX FUELS ENERGY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

DIRECTORS

The directors who served the company during the year were as follows:

Paul Gothard
Mark Paulson
Iestyn Morgan
Chris Gould
Jon Penton
Tom Barr
Graham Hilton
Brian Barrows

Paul Gothard retired as a director on 30 April 2008.
Chris Gould retired as a director on 14 November 2008.
Jon Penton retired as a director on 7 March 2008.
John Nangle was appointed as a director on 5 January 2009.
David Miller was appointed as a director on 5 January 2009.
Mark Paulson retired as a director on 3 June 2009.
Iestyn Morgan retired as a director on 4 June 2009.
Graham Hilton retired as a director on 3 June 2009.
Brian Barrows retired as a director on 21 May 2009.
John Nangle retired as a director on 3 June 2009.

DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to 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 those 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 that 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 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.

FLEX FUELS ENERGY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

Lubbock Fine were appointed auditor on 22 May 2009. Lubbock Fine are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors



Thomas Barr
Director

Approved by the directors on 18/1/10

FLEX FUELS ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FLEX FUELS ENERGY LIMITED

YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements of Flex Fuels Energy Limited for the year ended 31 December 2008, which have been prepared on the basis of the accounting policies set out on page 10.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

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 judgements 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.

FLEX FUELS ENERGY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FLEX FUELS ENERGY LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2008

OPINION

In our opinion:

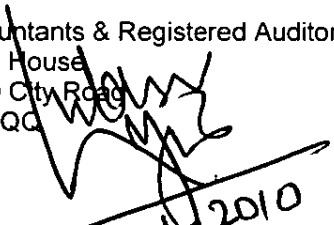
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with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

Lubbock Fine

Chartered Accountants & Registered Auditor
Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

Date:

.....


19-10-2010

FLEX FUELS ENERGY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
TURNOVER		–	–
Administrative expenses		(1,156,382)	(1,260,263)
OPERATING LOSS	2	(1,156,382)	(1,260,263)
Interest receivable		291,646	223,920
Interest payable and similar charges	5	–	(442)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(864,736)	(1,036,785)
Tax on loss on ordinary activities	6	–	–
LOSS FOR THE FINANCIAL YEAR		(864,736)	(1,036,785)
Balance brought forward		(1,064,932)	(28,147)
Balance carried forward		<u>(1,929,668)</u>	<u>(1,064,932)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 10 to 16 form part of these financial statements.

FLEX FUELS ENERGY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	7	5,000	—
Tangible assets	8	289,265	152,720
Investments	9	5	5
		<u>294,270</u>	<u>152,725</u>
CURRENT ASSETS			
Debtors	10	38,901	73,497
Cash at bank		5,911,598	8,059,383
		<u>5,950,499</u>	<u>8,132,880</u>
CREDITORS: Amounts falling due within one year	11	<u>(7,403,984)</u>	<u>(8,580,084)</u>
NET CURRENT LIABILITIES		<u>(1,453,485)</u>	<u>(447,204)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,159,215)</u>	<u>(294,479)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	200	200
Share premium account	14	770,253	770,253
Profit and loss account		<u>(1,929,668)</u>	<u>(1,064,932)</u>
DEFICIT	15	<u>(1,159,215)</u>	<u>(294,479)</u>

These financial statements were approved by the directors and authorised for issue on 12/11/10, and are signed on their behalf by:


Thomas Barr
 Director

Company Registration Number: 06003328

The notes on pages 10 to 16 form part of these financial statements.

FLEX FUELS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company meets its day to day working capital requirements by support of its parent company. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future on the basis of the company's plans, the continued support of the parent company.

If the company is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts and provide for further liabilities that might arise.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA and in accordance with Section 228A of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) 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.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures, fittings and equipment - 50% per annum

Capitalised development costs will be depreciated over the useful life of the assets, once the assets have been brought into use.

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. The assets of the scheme are held separately in an independently administered fund.

Deferred taxation

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:

FLEX FUELS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES *(continued)*

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Intangible fixed assets

Intangible fixed assets are initially recorded at cost and will be amortised over the useful life of the assets, once the assets have been brought into use.

2. OPERATING LOSS

Operating loss is stated after charging:

	2008	2007
	£	£
Depreciation of owned fixed assets	11,972	6,565
Net loss on foreign currency translation	33,395	—
Auditor's remuneration - audit of the financial statements	16,250	10,075
Auditor's remuneration - other fees	<u>13,500</u>	<u>—</u>

FLEX FUELS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

2. OPERATING LOSS (continued)

BDO Stoy Hayward LLP

	2008 £	2007 £
Auditor's remuneration - audit of the financial statements	<u>10,250</u>	<u>10,075</u>
Auditor's remuneration - other fees:		
- Other services	<u>13,500</u>	<u>-</u>

Lubbock Fine Chartered Accountants

	2008 £	2007 £
Auditor's remuneration - audit of the financial statements	<u>6,000</u>	<u>-</u>

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2008 No	2007 No
Number of administrative staff	<u>11</u>	<u>10</u>

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	598,348	482,633
Social security costs	69,115	57,508
Other pension costs	13,687	13,046
	<u>681,150</u>	<u>553,187</u>

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2008 £	2007 £
Aggregate emoluments	415,684	370,778
Value of company pension contributions to money purchase schemes	9,657	13,046
	<u>425,341</u>	<u>383,824</u>

Emoluments of highest paid director:

	2008 £	2007 £
Total emoluments (excluding pension contributions)	<u>124,744</u>	<u>96,646</u>

FLEX FUELS ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2008**

4. DIRECTORS' EMOLUMENTS *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows:

	2008	2007
	No	No
Money purchase schemes	<u>4</u>	<u>3</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Interest payable on bank borrowing	<u>-</u>	<u>442</u>

6. TAXATION ON ORDINARY ACTIVITIES**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2007 - 30%).

	2008	2007
	£	£
Loss on ordinary activities before taxation	<u>(864,736)</u>	<u>(1,036,785)</u>
Loss on ordinary activities by rate of tax	(242,126)	(311,036)
Expenses not deductible for tax purposes	504	6,019
Excess of depreciation over capital allowances	2,756	-
Loss carried forward	<u>238,866</u>	<u>305,017</u>
Total current tax	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

A deferred tax asset of £523,548 (2007 - £305,017) has not been recognised in the accounts as it is uncertain whether the company will make sufficient future taxable profits to utilise this asset. The asset arises due to trading losses generated by the company in current and prior periods and may be offset against future taxable profits.

FLEX FUELS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

7. INTANGIBLE FIXED ASSETS

	Other intangible fixed assets £
COST	
Additions	5,000
At 31 December 2008	<u>5,000</u>
AMORTISATION	
At 1 January 2008 and 31 December 2008	—
NET BOOK VALUE	
At 31 December 2008	<u>5,000</u>
At 31 December 2007	<u>—</u>

8. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £	Other developmen t costs £	Total £
COST			
At 1 January 2008	20,460	138,825	159,285
Additions	4,632	143,885	148,517
At 31 December 2008	<u>25,092</u>	<u>282,710</u>	<u>307,802</u>
DEPRECIATION			
At 1 January 2008	6,565	—	6,565
Charge for the year	11,972	—	11,972
At 31 December 2008	<u>18,537</u>	<u>—</u>	<u>18,537</u>
NET BOOK VALUE			
At 31 December 2008	<u>6,555</u>	<u>282,710</u>	<u>289,265</u>
At 31 December 2007	<u>13,895</u>	<u>138,825</u>	<u>152,720</u>

Other development costs relate capital costs incurred on projects, on 28 April 2009 the company abandoned the projects and impaired the other development costs in full due to uncertainty on whether the necessary capital could be raised to complete the project.

FLEX FUELS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

9. INVESTMENTS

	Investments in subsidiaries £
COST	
At 1 January 2008 and 31 December 2008	<u>5</u>
NET BOOK VALUE	
At 31 December 2008 and 31 December 2007	<u>5</u>

The company holds 100% of the ordinary share capital of the following dormant companies, all of which are incorporated in England & Wales:

Flex Fuel Biomass Limited
Flex Fuel Crush Limited
Flex Fuel Farming Limited
Flex Fuel Refineries Limited
Flex Fuel Trading Limited

10. DEBTORS

	2008 £	2007 £
VAT recoverable	12,596	15,529
Other debtors	15,995	34,589
Prepayments and accrued income	10,310	23,379
	<u>38,901</u>	<u>73,497</u>

11. CREDITORS: Amounts falling due within one year

	2008 £	2007 £
Amounts due to parent company	7,207,948	8,443,090
Amounts due to subsidiary undertakings	5	5
Trade creditors	63,026	29,582
PAYE and social security	27,099	32,602
Accruals and deferred income	105,906	74,805
	<u>7,403,984</u>	<u>8,580,084</u>

12. RELATED PARTY TRANSACTIONS

During the year the company paid £9,790 (2007 - £nil) in consultancy fees directly to Graham Hilton, a director of the company.

During the year the company paid £16,117 (2007 - £nil) in consultancy fees to Energy Crops Company Limited, a company in which Graham Hilton, a director of the company is also a director.

Other than disclosed above and the amounts disclosed as owing to group companies there have been no related party transactions.

FLEX FUELS ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

13. SHARE CAPITAL

Authorised share capital:

	2008	2007
	£	£
2,000 Ordinary shares of £0.10 each	<u>200.00</u>	<u>200.00</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
2,000 Ordinary shares of £0.10 each	<u>2,000</u>	<u>200.00</u>	<u>2,000</u>	<u>200.00</u>

14. RESERVES

	Share premium account	Profit and loss account
	£	£
Balance brought forward	770,253	(1,064,932)
Loss for the year	—	(864,736)
Balance carried forward	<u>770,253</u>	<u>(1,929,668)</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Loss for the financial year	(864,736)	(1,036,785)
Opening shareholders' (deficit)/funds	(294,479)	742,306
Closing shareholders' deficit	<u>(1,159,215)</u>	<u>(294,479)</u>

16. ULTIMATE PARENT COMPANY

At 31 December 2008, the company's ultimate parent company was Flex Fuels Energy Inc, a company incorporated in the Nevada, US.

The smallest and largest company that these financial statements are consolidated into are Flex Fuels Energy Inc. Copies of the consolidated financial statements of Flex Fuels Energy Inc are available from the SEC website in the US: www.sec.gov.