Growing Energy Solutions

D1 Oils plc

D1 Oils plc Annual report and accounts 2007

D1 Oils plc is a biofuels technology company. Our strategy is to develop new energy crops into sustainable commercial fuels. We provide technology and services for the breeding, development, planting and harvesting of new varieties of commercial biofuel crops, focusing on alternative, sustainable feedstocks that are not subject to the same price pressures as food-grade crops. We have an established plant science and planting programme for *Jatropha curcas*, a robust, tropical oilseed bearing tree. Jatropha produces inedible oil feedstock for biodiesel and is able to make use of land not suitable for arable agriculture.

"The political momentum to reduce emissions from transport and enhance energy security remains substantial in the majority of developed economies, and there is growing recognition of the potential for farmers in the developing world to meet this demand.

Against this background there is real concern that it will not be possible to meet demand for both fuel and food without threatening forests in developing countries. In this situation, *Jatropha curcas* brings the advantages of reforestation and sequestration of CO_2 in the trees and their root systems, the production of a feedstock oil for biodiesel from the grain, and the creation of jobs in some of the poorest parts of the world."

Lord Oxburgh of Liverpool, Chairman

Operational highlights

Key highlights

- Successful placing to raise £14.9m net of expenses, subject to shareholder approval
- Strategic re-positioning
  - Ongoing focus on plant science and planting
  - Withdrawal from refining and trading

Operational highlights for 2007

- Established global planting joint venture with BP to create a world-leading business in jatropha
- Plant science operations to develop high-yielding varieties of jatropha progressing well
- Commercial breeding and product placement trials commenced
- Multiplication of higher-yielding E1 seed underway

Financials

- Gross cash at 31 December 2007 was £14.3m
- Loss for the year was £46.1m (2006: £12.6m)

"We are pleased to announce a proposed placing to raise £14.9m net of expenses to support our continuing development of alternative sustainable feedstocks for the production of biodiesel. We are particularly pleased that the placing is being supported by our leading shareholders who together represent approximately 60% of the shareholder base.

2007 brought significant challenges for the biofuels industry, including rising feedstock prices, growing concerns on sustainability and imports of heavily subsidised US biodiesel. These challenges have reinforced the imperative at the heart of D1's business strategy: the need to develop low-cost supplies of alternative, sustainable raw materials for biofuels that are not subject to the same price pressures as food-grade cereals and oil seeds.

Refining food-grade vegetable oils into biodiesel in Europe has developed into a highly competitive market in which only very large scale operations are viable. We therefore intend to withdraw from this business and propose to close our UK refining sites. We believe that the best way to deliver value for shareholders is to leverage our technology and experience in jatropha to focus the business on the upstream breeding, planting and managing of new varieties of sustainable, commercial biofuel crops. Our upstream plant science and related technologies, always core to our vision and business, will now be our main commercial thrust. Our successful fundraising now enables us to take that business to the next level."

Elliott Mannis, Chief Executive Officer

Report of the Chairman and of the Chief Executive Officer

"Plant science operations made solid progress throughout the year. Having built up our collection of accessions of *Jatropha curcas* from around the globe, we began commercial breeding and product placement trials for the crop."

The following is our report to shareholders of our results for the year ended 31 December 2007.

2007 brought significant challenges for the biofuels industry, including rising feedstock prices and growing concerns in Europe over the sustainability of some feedstocks. Imports of heavily subsidised biodiesel from the United States (US) into the European market exacerbated these issues. These challenges have reinforced the imperative at the heart of D1's business strategy: the need to develop low-cost, long-term supplies of alternative, sustainable feedstock for biofuels that are not subject to the same price pressures as food-grade crops. BP's decision in 2007 to join D1 in a joint venture to develop global planting of *Jatropha curcas* was, we believe, a significant endorsement of this approach to feedstock supply. It also recognised D1's lead in the plant science and cultivation practices required for the commercialisation of this new energy crop. We believe that the development of alternative, sustainable biofuels feedstocks, of which *Jatropha curcas* is one of the most promising, offers significant opportunities for growth in the biofuels sector. In the light of this potential and the continuing difficulties facing biodiesel refining in European markets, the Board proposes to cease our refining and trading operations and to focus the business exclusively on the technology and services required for the upstream breeding, development and planting of new varieties of commercial biofuel crops.

We began the year having successfully completed a placing in December 2006 raising £49.2m, enabling us to fund the development of our plant science programme and to expand our United Kingdom (UK) refining capacity. In June 2007, we announced our 50:50 joint venture with BP. This was approved by our shareholders at an Extraordinary General Meeting (EGM) in July. The company formed for the purposes of the joint venture, D1-BP Fuel Crops Limited, began operations in October 2007.

The establishment of D1-BP Fuel Crops recognises the potential for the development of biofuels that make use of marginal land. In operational terms, it is turning the wide range of jatropha planting operations and relationships established by D1 worldwide since 2005 into a cohesive, integrated and sustainable production base for the supply of crude jatropha oil at competitive prices. It also provides, through an exclusive supply arrangement between D1 and D1-BP Fuel Crops for the supply of jatropha seedlings and other services, a secure commercial foundation on which to build D1's plant science operations globally.

In refining and trading, which is based in the UK, rising food oil prices and growing volumes of heavily subsidised US imports progressively favoured only those operators able to refine at the largest scale and at the lowest unit cost of production. We therefore began to scale back our investment in capacity and to purchase refined imported material to meet supply contracts. As a result of a thorough review of operations in this area, the Board's view is that refining and trading no longer represent the best use of shareholders' funds. We therefore intend to withdraw from this business segment.

Plant science and technology programme

Plant science operations made solid progress throughout the year. Having built up our collection of accessions of *Jatropha curcas* from around the globe, we began commercial breeding and product placement trials for the crop. We started multiplication of our first generation E1 seed material, selected for higher yield and good biodiesel profile, and introduced our Sustainable Oil Supply Programme (SOSP) to enable oil production forecasting and to monitor implementation of sustainability policies.

"The establishment of D1-BP Fuel Crops recognises the potential for the development of biofuels that make use of marginal land. In operational terms, it is turning the wide range of jatropha planting operations and relationships established by D1 worldwide since 2005 into a cohesive, integrated and sustainable production base for the supply of crude jatropha oil at competitive prices."

Jatropha breeding site, Cape Verde

We stepped up the pace of these activities following the creation of D1-BP Fuel Crops. D1's plant science operation now acts as the exclusive supplier of elite planting material to the joint venture. We have expanded our plant science activities to support joint venture planting in each region. D1-BP Fuel Crops is expected to plant up to 50,000 hectares of E1 jatropha seedlings in 2008.

D1's established plant science infrastructure for the development of jatropha as a commercial crop also enables the exploration of opportunities to develop a range of alternative, sustainable, energy crops into new commercial biofuels. We are currently undertaking early stage investigation into several of these crops. In addition, our plant science team is developing a processing technology to enable the seedcake remaining after the extraction of oil from jatropha grain to be processed into animal feed.

Relationships with established plant science and agricultural research institutions are essential to the development of both our breeding programme and planting practices. We are pleased to announce that D1 has recently concluded an agreement with the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) to undertake research into *Jatropha curcas* in Andhra Pradesh in India.

D1-BP Fuel Crops

Planting operations principally comprise D1-BP Fuel Crop's efforts to encourage third parties to undertake the planting of jatropha across many global locations and also to secure offtake agreements in respect of that planting. Our efforts in this regard have continued to increase and the estimated planted area has grown accordingly over the last 12 months. With effect from 1 October 2007, all of D1's existing planting of *Jatropha curcas* transferred to our joint venture with BP, D1-BP Fuel Crops Limited, and all subsequent jatropha planting is conducted through the joint venture.

Jatropha planting expanded significantly throughout the year, particularly in North East India where the partnership with Williamson Magor, one of India's leading tea companies, planted more than 50,000 hectares in the current season. Total planting by Williamson Magor now stands at over 62,000 hectares. Planting in South East Asia also expanded steadily during the year and relationships were established with new partners, including PT Astra Agro Lestari, part of the Jardine Matheson Group. Progress in Africa was slower, and flooding and low germination rates due to the poor storage and transportation of seed led to the failure of a proportion of planting in Zambia.

The experience of poor germination and other general agricultural risks had led to a thorough review of existing assets and their likely performance now that growing conditions are better understood and planting is more mature. As experience has increased it is possible to assess more accurately the quantity and quality of successful jatropha planting and recognise where planting has failed or where suppliers lack sufficient reliability. As a result, provisions have been recorded against planting, the majority with third parties with whom there are arm's length supply agreements for grain and oil, that is either unlikely to deliver the requisite quantity and quality, or which is too far from available logistics facilities to make harvest and transport viable.

Following these provisions, total planting and rights to offtake at 31 March 2008 is assessed at 192,016 hectares worldwide. This is lower than original expectations for the end of the current planting year, but as D1-BP strengthens its planting and crop management in the light of improving plant science

Jatropha fruit bunch

Prototype jatropha oil expeller, India

Report of the Chairman and of the Chief Executive Officer continued

“We believe that the best way to deliver value for shareholders is to leverage our technology and experience in jatropha to focus the business on the upstream breeding, planting and managing of new varieties of sustainable, commercial biofuel crops.”

expertise and greater experience on the ground, it has been necessary to slow the pace of planting as locations and partners are reviewed for performance. It has not therefore been possible to replace all of the areas provided against with new planting elsewhere. D1-BP Fuel Crops is evaluating a range of options for organising planting operations along with different models to optimise the future delivery of oil to market. D1-BP Fuel Crops will produce its first modest volumes of jatropha oil during the second half of 2008.

Refining and trading

Our refining and trading activities in 2007 were adversely impacted by a combination of high feedstock prices and imports of heavily subsidised biodiesel from the US, so-called B99. Although we believe that B99 will eventually be addressed, its impact has undermined the European biodiesel refining industry in general, including D1's operations.

We fully support the decision of the European Biodiesel Board (EBB) taken in November 2007 to lodge a complaint to the European Commission against B99 exports from the US. This comprehensive legal action will take the form of a joint anti-dumping and anti-subsidy complaint, possibly supported by WTO measures at a later stage. However, we do not expect the issue to be resolved quickly.

Although the introduction of the Renewable Transport Fuels Obligation (RTFO) in the UK from April 2008 will create a market for biodiesel, we believe that UK demand will largely be met by subsidised US imports. We do not see the UK as offering a viable location for refining and trading to meet domestic demand for the foreseeable future. We therefore intend to cease our refining and trading operations. As announced on 7 March 2008, we have commenced a consultation process with employees at both our Middlesbrough and Bromborough sites. We will consult with employees in relation to the future of the sites, including their potential closure and sale.

We believe, however, that *Jatropha curcas* presents a solution to the situation currently confronting the European biodiesel market. Jatropha will be available at sufficiently low cost to compete advantageously with subsidised feedstocks such as B99 in developed markets. It will also address concerns around sustainability, particularly land use change, by enabling farmers in the developing world to become more productive through mixed cropping models that can produce food, animal feed and fuel.

Offer period update

On 20 March 2008, Karl Watkin announced that he was at a very preliminary stage in evaluating all options with regard to his shareholding in the Company, including an increase or decrease in his interest, and whether or not to make an offer for the Company. Consequently, the Company is currently in an offer period.

Finances

Net cash at 31 December 2007 was £7.8m. Gross cash was £14.3m. The loss for the year was £46.1m (2006: £12.6m) and reflects both the poor trading conditions in the second half of the year and the impairment of assets at Bromborough by £10.2m and at Middlesbrough by £12.6m.

“We believe that the fundamentals of the biofuels market increasingly favour the alternative, sustainable feedstock approach that D1 has developed and which differentiates us from the rest of the sector.”

Seedling multiplication, Indonesia

Research site, India

On 9 April 2008, the Company announced a proposed placing of ordinary shares at 25 pence per share to realise £14.9m, net of expenses. Based on the Board's revised business plan, the net funds raised of £14.9m are expected to allow the Company to remain cash positive through to the end of 2009.

Management

We welcomed two new Non-Executive Directors to the Board in 2007. Professor Chris Leaver, Emeritus Professor of Plant Science at Oxford University, joined the Board in July and brings significant and relevant scientific expertise. Moira Black, who has had an active and distinguished career in accountancy and public services, joined the Board in September.

Chris Tawney, Group Finance Director, joined the Board in September 2007. His predecessor, Richard Gudgeon, left the Board in September, but remains with the business. Peter Davidson, a founder Non-Executive Director, also stepped down in September 2007 when he left the business, as did Steve Douty, who stepped down in order to join D1-BP Fuel Crops. Finally, Karl Watkin, founder and former Chairman, left the Board in March 2008. We thank all four for their contributions to the business.

Outlook

Despite the difficulties in European biodiesel refining, the biofuels sector is experiencing strong growth worldwide. The political momentum to reduce emissions from transport and enhance energy security remains substantial in the majority of developed economies, and there is growing recognition of the potential for farmers in the developing world to meet this demand. Against this background, rising prices for food commodities highlight the concern that increased production of grains and vegetable oils will not meet demand for both fuel and food without threatening forests and other regions of environmental importance in developing countries. As a result, D1 sees increasing recognition of the need for alternative, low-cost, sustainable feedstocks that can enable developing world farmers to use marginal and unproductive land to co-produce both food and fuel.

We believe that our primary feedstock, *Jatropha curcas*, can answer these concerns and is one of the most significant new oilseed crops for biofuels. It therefore offers D1 a major global market opportunity. The delivery in late 2008 of the first quantities of jatropha oil from our planting will be a demonstration of our ability to deliver a sustainable biofuels business. We believe that the fundamentals of the biofuels market increasingly favour the alternative, sustainable feedstock approach that D1 has developed and which differentiates us from the rest of the sector. We believe that the best way to deliver value for shareholders is to leverage our technology and experience in jatropha to focus the business on the upstream breeding, planting and managing of new varieties of sustainable, commercial biofuel crops. Our upstream plant science and related technologies, always core to our vision and business, will now be the singular focus of our activities. Going forward D1 will comprise 100% of D1 Oils Plant Science plus our 50% investment in D1-BP Fuel Crops.

Lord Oxburgh of Liverpool
Non-Executive Chairman

Elliott Mannis
Chief Executive Officer

Jatropha fruit, India

Operations: Plant science and technology programme

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Because they are environmentally elastic and bring unproductive land into cultivation, alternative biofuel feedstocks such as jatropha have the potential to meet demand for biofuels without putting at risk food supplies or important carbon-rich or biodiverse environments. D1's position as a leading developer of one of the most significant new oilseed crops for biofuels, *Jatropha curcas*, differentiates us significantly in a market that requires sustainable fuels at a competitive price. We believe the growing public debate about the sustainability of biofuels reinforces and validates our strategy to build a business on alternatives to biodiesel derived from food oils.

Plant science programme

We made solid progress in our plant science programme during the year. We expanded our collection of *Jatropha curcas* accessions from around the globe, and began putting the most promising varieties from our already significant collection through commercial breeding and product placement trials to identify optimal adaptation to different cultivation conditions. By the end of the year, we had a total of 33 product placement and research trial sites for jatropha in operation worldwide.

During the year the D1 plant science programme established a central breeding and development facility in Cape Verde and we transferred our global collection of *Jatropha curcas* material to this site. We selected Cape Verde because of its geographical position within the equatorial band in which jatropha flourishes. We also expanded our research and testing infrastructure worldwide in anticipation of the growth in business from the D1-BP Fuel Crops joint venture. We have begun to establish new plant science development centres, and further facilities are planned for other countries where D1-BP Fuel Crops will operate, enabling D1 to support fully the joint venture's planting activities.

We continued the development of our breeding programme to create the first cultivars for future selection of high-yielding jatropha varieties. Multiplication of our first generation E1 material, selected for higher yield and good biodiesel profile, has begun in all three operating regions. D1-BP Fuel Crops has already commenced planting of E1 material and intends to plant up to 50,000 hectares with E1 seedlings in 2008. All of D1's seed orchards are now operational and have to date delivered some 20 tonnes of planting seed, sufficient to plant approximately 10,000 hectares of the E1 planting planned for 2008.

D1 is also building relationships with leading agricultural and plant science research institutions in operating regions. We recently signed an agreement with the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) to undertake research into *Jatropha curcas* in Andhra Pradesh in India. ICRISAT (www.icrisat.org) undertakes agricultural research and capacity building for sustainable development in the dry tropics through better agriculture. D1 Oils plant science will work with ICRISAT to collect, screen and identify jatropha with high yield potential and oil content, develop suitable agronomy practices for sole cropping and identify the most profitable food and feed crops for intercropping with jatropha. ICRISAT will also train farmers and NGO workers and trainers in nursery raising and cultivation of jatropha and assess the potential of other oil seeds in the region. We have also agreed a collaborative project with Katetsart University in Thailand to evaluate the growth and yield of Chinese cabbage, tomato and sweet potato when using *Jatropha curcas* seedcake as a fertiliser.

"Multiplication of our first generation E1 material, selected for higher yield and good biodiesel profile, has begun in all three operating regions. D1-BP Fuel Crops has already commenced planting of E1 material and intends to plant up to 50,000 hectares with E1 seedlings in 2008."

Jatropha breeding site, Cape Verde

A significant development in 2007 was D1's exclusive worldwide service agreement with Keygene NV of the Netherlands (www.keygene.com). Keygene is one of the global leaders in the science of genetic fingerprinting, in particular molecular markers and marker-assisted breeding approaches. The agreement provides D1 with exclusive rights to contract research and molecular services carried out by Keygene on *Jatropha curcas*. Keygene's genetic fingerprinting technology enables the identification of different jatropha cultivars through genetic markers. This technology has the potential to increase significantly the effectiveness of D1's breeding programme for jatropha.

Sustainable Oil Supply Programme (SOSP)

During the year, we introduced our Sustainable Oil Supply Programme (SOSP) to implement optimal agronomy practices based on sound science for the development of *Jatropha curcas* as a sustainable feedstock. Central to the programme is the surveying of jatropha plantations to identify key success and risk factors for sustainable jatropha planting. Survey activity was begun by D1 in the first half of the year in co-operation with joint venture partners and farmers and continues in co-operation with D1-BP Fuel Crops. The surveys record performance data to enable more accurate grain and oil production forecasts and also gather wider information on planting and stewardship practices. The latter form the basis of the ongoing development of recommended planting and maintenance methods, training manuals and guidance for the optimisation of oil yields. Initially focusing on planting and cultivation, the surveys will also extend to harvesting and expelling techniques, logistics and storage. The programme also monitors the implementation of policies for social, economic and environmental sustainability.

D1 Oils plant science is the exclusive supplier to D1-BP Fuel Crops, on a cost-plus basis, of selected, high-yielding jatropha seedlings. It also provides technical agronomy support and expertise to support and implement the SOSP programme. D1-BP Fuel Crops will pay D1 an annual royalty fee for the high-yield performance of the seedlings it has supplied.

In addition to focusing on *Jatropha curcas*, we are undertaking early stage investigation into a range of alternative, sustainable crops for the production of biofuel. Under the terms of our joint venture arrangements, D1-BP Fuel Crops has a right to access (with the agreement of its shareholders) any new biodiesel crops that D1 may develop.

The plant science team is also leading D1's feed programme to develop a commercial technology for the removal of anti-nutritional compounds present in jatropha meal after oil extraction. Having quantified the compounds present in the meal and measured their bioactivity, a laboratory extraction method has been developed to test extracted fractions and ensure the removal of unwanted elements. We are now moving to the next stage of the development process to create a large-scale extraction method.

Jatropha product placement trial

Intercropping jatropha with sunflower, India

Operations:
D1-BP Fuel crops

D1-BP Fuel Crops Limited began operations on 1 October 2007. The new company is expanding its international team to handle the range of new functions that will be required for the delivery of crude jatropha oil to the market, including sustainability and supply chain management. These new areas of expertise are being added to the core group of experienced D1 managers and field staff in the regions.

D1-BP Fuel Crops has commenced a strategic review of its business and is evaluating a range of options for organising planting operations, logistics and processing to optimise the future delivery of oil to the developing international market for biofuels. Key to this planning process is establishing oil forecasts. Based on data gathered to date through surveys on the cropped area being undertaken through the SOSP provided by D1, the joint venture should deliver the first quantities of jatropha oil during the second half of 2008. Initial quantities of oil are expected to be modest but should increase year on year as existing trees mature and as new trees become productive.

“D1-BP Fuel Crops has commenced a strategic review of its business and is evaluating a range of options for organising planting operations, logistics and processing to optimise the future delivery of oil to the developing international market for biofuels.”

Planting

Planting and planting relationships transferred by D1 into the D1-BP Fuel Crops included the significantly expanded jatropha footprint achieved by D1 during the first half of 2007. This included planting in North East India in partnership with Williamson Magor, one of India’s leading tea companies, which now stands at over 62,000 hectares. Planting in South East Asia, which expanded steadily during the year, includes relationships established with new partners in Indonesia, including PT Astra Agro Lestari, part of the Jardine Matheson Group, for the creation of a 500 hectare pilot jatropha plantation.

As knowledge and experience of the performance of *Jatropha curcas* in different climate and soil conditions and under different planting and maintenance regimes increases, D1-BP Fuel Crops is assessing the performance and commercial viability of the area planted to date and the viability of planting areas in terms of logistics and access to markets. Greater rigour is being introduced into relationships with third party oil and seed suppliers. Relationships with suppliers and the reliability of their planting and ability to deliver grain are regularly assessed. Where appropriate, D1-BP Fuel Crops is remeasuring the quantity of planting achieved as well as developing new ways to better measure and monitor planted areas in future. Relationships with suppliers whose planting is unlikely to be viable or who are unable to deliver grain will likely be replaced, subject to terms, with agreements with new partners whom the joint venture judges to be better positioned to deliver over the longer term.

The table on page 9 indicates the broad geographic locations and types of arrangements associated with jatropha planting worldwide in which D1-BP Fuel Crops has an interest. The level of investment costs and security of future oil supply are proportional to the degree of direct involvement by D1-BP Fuel Crops and its joint venture partners. It is the policy of D1-BP Fuel Crops that where trees are lost due to natural wastage or mortality, or where planting has not taken, such agricultural losses are reflected in the planting table as soon as they are identified. This is in contrast to the previous policy of D1 Oils, whereby either replanting or new planting was undertaken in the following planting season and only the net increase in planting recorded. Where D1-BP Fuels Crops considers replanting inappropriate or not possible, a provision is made and the planting is reported net. The policy adopted by D1-BP Fuel Crops, which will also be adopted by D1 from hereon, will lead to greater volatility in reported planting.

Accordingly, D1-BP Fuel Crops has made provisions against planting that is either unlikely to deliver the requisite quantity and quality, or which is too far from available logistics facilities to make harvest and transport viable. D1 has entered into discussions with D1-BP Fuel Crops and BP as to whether or not there was a planting shortfall as at 31 July 2007 for purposes of the relevant provisions of the joint venture agreement. A provision

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Jatropha planting, Indonesia

Seed orchard, Indonesia

has been made in relation to this matter and the Directors' current assessment is that there will be no further financial obligation arising in this regard and they expect to reach a satisfactory agreement with their joint venture partner.

Following these provisions, total planting and rights to offtake at 31 March 2008 is assessed at 192,016 hectares. This is lower than original expectations for the end of the current planting year, but as D1-BP strengthens its planting and crop management in the light of improving plant science expertise and greater experience on the ground, it has been necessary to slow the pace of planting as locations and partners are reviewed for performance. It has not yet therefore been possible to replace all of the areas provided against with new planting elsewhere.

The table below summarises the total gross quantity of hectares of jatropha planting worldwide, over which D1 BP Fuel crops or joint venture or partnership arrangements involving D1 BP Fuel Crops have rights:

		Managed plantations	Contract farming	Seed purchase and oil supply agreements	Total hectares
India	North East	—	62,455	—	62,455
	South	—	5,922	—	5,922
	Rest	—	2,860	23,833	26,693
		—	71,237	23,833	95,070
Africa	Zambia	2,276	70	23,179	25,525
	Swaziland	1,064	210	6,112	7,386
	Rest	50	879	13,638	14,567
		3,390	1,159	42,929	47,478
South East Asia	Indonesia	18	19,250	20,132	39,400
	Rest	—	2,212	7,856	10,068
		18	21,462	27,988	49,468
Total		**3,408**	**93,858**	**94,750**	**192,016**

Managed plantations are those farms where land and labour is controlled by D1-BP Fuel Crops, either through its subsidiaries or joint venture partners. Under contract farming, the farmer plants his own trees on his own land. D1-BP Fuel Crops and its partners assist with the provision of seedlings and the arrangement of bank finance for planting, and offer a buyback of harvested grains with an offtake agreement, subject to a floor price and the achievement of agreed quality standards, and provide support and advice during cultivation and monitor the condition of the crops. Seed and oil supply agreements are arm's length supply contracts with third parties whereby D1-BP Fuel Crops, either directly or through joint venture partners, has offtake arrangements in place over future output from jatropha plantations which the third party is developing. D1-BP Fuel Crops has limited involvement in this planting and relies on third parties to measure and manage the crop effectively.

The rights to some planting are shared with third parties, such as joint venture partners, with whom D1 and D1-BP Fuel Crops have worked to achieve rights to planting of jatropha. As such, offtake from these areas of planting may well be shared with third parties.

Based on the forecasts for oil delivery, D1-BP Fuel Crops is now reviewing where best to place crushing, expelling and preprocessing assets. As plantations mature and we move closer to harvest and the crushing of grain for oil, D1-BP Fuel Crops is preparing to deploy operational crushing and expelling units in Zambia, North East India and Indonesia.

Jatropha planting, India

Operations:
Refining and trading

> Our activities in refining and trading during 2007 were impacted by the ongoing challenges of high feedstock prices and by subsidised biodiesel imports from the US.

Our activities in refining and trading during 2007 were impacted by the ongoing challenges of high feedstock prices and by subsidised biodiesel imports from the US. Refining margins across the industry came under increasing pressure from rising vegetable oil prices at the beginning of the year. Although we were cushioned by stocks of vegetable oil previously purchased at lower prices, we were forced to run our refineries below capacity. Prices continued to rise, however, and having processed existing stocks, we ceased refining of virgin oil during the third quarter of 2007. We were, however, able to take advantage of the flexibility of our modular D1 20 refinery units by refining parcels of "off-spec" material purchased from other suppliers.

The import of heavily subsidised US biodiesel exacerbated the impact of rising feedstock prices. Subsidised soya methyl ester began to enter the EU in volume in the form of a 99% soya biodiesel and a 1% mineral diesel blend, so-called B99, around the middle of the year. US producers are currently eligible for subsidies of US$1 for every gallon (approximately 13p per litre) of biodiesel blended with mineral diesel, which then receives further subsidy in EU markets. As a result, we believe this largely set market prices in the EU and further eroded refinery margins. It is estimated that up to one million tonnes of B99 entered the EU during 2007.

During 2007 we switched from refining virgin oil to purchasing and selling quantities of B99 to meet obligations to our principal offtaker, Petroplus. Our experience by the end of 2007 was that, given higher feedstock prices and subsidised imports, prices bid for such contracts were not at a level where there could be an adequate return. Consequently, our offtake agreement with Petroplus was not renewed when it ended in December 2007.

We began 2007 with the intention to increase UK refining capacity in advance of the introduction of the RTFO in 2008. We increased the capacity of our Teesside site to 42,000 tonnes in the first half of the year with the addition of a fifth refinery unit. This was the first upgraded D1 30 unit with an enhanced capacity of 10,000 tonnes per year. Final commissioning was completed by the third quarter of 2007. However, as market conditions deteriorated, we held capacity at Teesside at 42,000 tonnes. Having completed the acquisition of our Bromborough site in January 2007, we began the conversion of the existing facilities, which formerly produced fuel and lubricant additives, to create 100,000 tonnes of initial biodiesel refining capacity. As conditions changed, we slowed the timetable for commissioning the first 50,000 tonnes of this capacity and finally suspended the addition of the second 50,000 tonnes.

As a result of the fundamental changes underway in the EU refining market, we intend to stop refining and trading and to concentrate our efforts exclusively on developing the upstream plant science services to breed, plant and manage new commercial biofuels crops. As announced on 7 March 2008, we have already started a consultation process with employees at both our Middlesbrough and Bromborough sites. In so far as we have not done so already, we will continued to consult with employees in relation to the future of the sites, including their potential closure and sale.

Safety, health and environment (SHE)

During 2007 we enhanced our existing SHE polices, tested and improved our performance and raised internal awareness of behavioural safety. We undertook a major programme of work to understand the potential for *Jatropha curcas* plants and products to affect human health, and to ensure jatropha plants and products comply with applicable EU REACH (Regulation Evaluation and Authorisation of Chemicals) regulations. The programme, which is run jointly with BP, is expected to continue through 2010 and will include formal occupational health monitoring and hygiene schemes. There were no reportable injuries or breaches of environmental consents in 2007.

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D1 30 biodiesel refinery

Laboratory fuel testing

Finance review

“On 9 April 2008, the Company announced a proposed placing of ordinary shares at 25 pence per share to realise £14.9 million, net of expenses. Based on the Board’s revised business plan, the net funds raised of £14.9 million are expected to allow the Company to remain cash positive through to the end of 2009.”

The financial results for the year ended 31 December 2007 reflect the continuing development of the business in challenging market conditions, particularly for downstream refining and trading activities.

The financial results have been prepared under International Financial Reporting Standards (IFRS). The new accounting policies adopted, and the detail of the impact of moving to IFRS, are set out in IFRS transition note 30 of this report.

Total Group revenue of £10.6m (2006: £1.6m) in the year to 31 December 2007 arose from the sale of 20,632 tonnes of biodiesel primarily to Petroplus and Conoco Philips. These sales generated a gross operating loss after the cost of refining of £5.1m (2006: £0.8m).

Administrative expenses of £15.2m (2006: £12.2m) reflect the ongoing development of the business, particularly in plant science and agronomy. Included in this total are spending on plant science of £2.0m; on regional operations of £3.4m; on business development of £1.0m and on refinery technology and research of £0.4m.

Interest received of £1.6m (2006: £0.6m) relates to cash deposits held during the year.

The loss on ordinary activities before taxation was £46.1m (2006: £12.6m) and the loss per ordinary share was 74.85p (2006: 39.98p).

Gross cash in hand (defined as cash held in bank accounts and on deposit) as at 31 December 2007 was £14.3m (2006: £51.4m). Net cash (defined as gross cash less mortgage and cash held as collateral) as at 31 December 2007 amounted to £7.8m (2006: £48.3m). The differences between gross and net cash relate to the mortgage on the Middlesbrough site of £0.8m (2006: £0.8m) and cash held as collateral of £5.7m (2006: £2.3m).

Cash held as collateral comprised £2.3m with Allied Irish Bank in respect of finance leases for the D1 20 modular refineries (2006: £2.3m), £2.0m in respect of a swap arrangement (2006: £nil), £1.1m against letters of credit (2006: £nil) and £0.3m against guarantees given to third parties (2006: £nil), all with Barclays Bank. The cash collateral held by Allied Irish Bank was reduced to £1.9m shortly after the year end. The cash collateral held by Barclays Bank in respect of the swap arrangement will be released when the swap terminates in April 2008. As a result of the Board’s intention to stop trading activities, the letter of credit facility will no longer be needed and the related cash collateral has now been released.

On 9 April 2008, the Company announced a proposed placing of ordinary shares at 25 pence per share to realise £14.9 million, net of expenses. Based on the Board’s revised business plan, the net funds raised of £14.9 million are expected to allow the Company to remain cash positive through to the end of 2009.

Drip irrigation trial on young jatropha seedling

On 1 October 2007, D1 established a 50:50 joint venture with BP, D1-BP Fuel Crops Limited. Under the terms of the joint venture, D1 transferred all its existing planting and substantially all of its overseas operations into D1-BP Fuel Crops and granted BP options over ordinary shares in D1 Oils plc as set out in note 13 to the accounts. In consideration BP has undertaken to fund the first £31.75m of the joint venture's working capital requirements; thereafter both partners will fund additional working capital requirements equally. D1's investment in D1-BP Fuel Crops has been accounted for using the equity method in accordance with IAS 31.

International Accounting Standards require that a "fair value" be calculated for the options granted to BP and recorded as a reduction in the gain on the transaction. The calculation of fair value utilises the share price of D1 Oils plc at the date the options were irrevocably granted (the "effective date") and the historic volatility of the share price as key inputs. The effective date for the options granted to BP was the date of D1 shareholder approval of the prospective transaction at the EGM on 27 July 2007. The D1 share price was £2.42 at close on that date, and this, together with the above average volatility of D1's share price, has produced a fair value for the options granted to BP of £12.8m. By way of illustration of the impact of changes in the share price on the calculation, a share price of £2.00, typical of the period prior to the announcement of the joint venture, would give a fair value for the options of £9.2m. A share price of £0.42, which was the share price on 31 March 2008, would give a fair value of less than £0.5m.

In view of the Board's intention to cease refining and trading operations and the consultation with employees with regard to the possible closure of the refining sites at Middlesbrough and Bromborough, a decision has been made to impair the assets at both sites down to their estimated net realisable values. In the case of the Middlesbrough site this is £4.8m based on the Board's best estimates of the resale value of the modular refineries and of the market value of the land and buildings at the site. In the case of Bromborough, this is £2.0m based on a recently updated third party professional valuation report on the site. The total impairment charge for the year for both sites amounted to £22.8m.

During the year, the Group secured overdraft facilities of £1.5m (2006: £nil) which have not been utilised at any time during the year and letter of credit facilities of £3.0m (2006: £nil), both with Barclays Bank.

Christopher Tawney
Group Finance Director

Rooted jatropha cutting

Corporate and social responsibility

> In less than two years, we have not just generated jobs but also fresh hope in the minds of the farmers about an economically secure future.

Developing low-cost, long-term supplies of alternative, sustainable feedstock for biofuels has the potential to alleviate poverty in developing countries by providing jobs for the rural poor. D1's operations in Jharkhand in India and Hluthi in Swaziland demonstrate how commercial jatropha farming has the potential to transform the living standards of poor communities.

Jatropha brings hope to Deoghar

Agriculture is vital to India. Farming is the nation's largest economic sector, feeding one billion people and accounting for 23% of GDP. Yet many Indian farmers remain poor, especially in the eastern state of Jharkhand. D1 has been working in the Deoghar district of Jharkhand since 2006 and jatropha planting operations are helping to reduce rural poverty and create jobs.

Deoghar district has limited irrigation facilities and few farmers have access to mechanical agricultural equipment. Almost half the available agricultural land is fallow and neglected. Some 55% of Deoghar's people are classified as living under the "poverty line". Rural communities grow rice, wheat and maize but output has never been sufficient for all they need. There is little planting of cash crops. Most adult males migrate from villages to other parts of India during the year to earn extra money for their families.

Farmers in Jharkhand were introduced to jatropha through D1 Williamson Magor Bio Fuel, a joint venture between D1 and Williamson Magor, India's largest producer of quality tea. Acknowledging the vast amount of land lying waste and the poor economic situation of the farmers, D1 Williamson Magor Bio Fuel began working to assist farmers and communities in Deoghar to supplement their future incomes with jatropha as an energy cash crop that could make marginal land productive. The joint venture's work in Jharkand has now extended to a further four districts: Dumka, Giridih, Godda and Jamtara.

Farmers are provided with jatropha seedlings and training in planting free of cost. Staff tour the villages to create awareness about *Jatropha curcas* and its potential benefits. The Company has given a buy-back guarantee to the farmers for the jatropha seeds they harvest. To date, over 7,500 growers have planted jatropha on 7,500 hectares of marginal land across Deogarh district. The target is to involve a further 10,000 farmers to plant another 10,000 hectares by the end of 2008.

"Farmers have joined the drive hoping to find their niche in what we think will be the next big thing in agri-business," says Vikas Khaitan, project manager for operations in Jharkhand. "Across Deoghar, jatropha farming on community and individual plots has been done under the supervision of 250 associates of the joint venture. In less than two years, we have not just generated jobs but also fresh hope in the minds of the farmers about an economically secure future."

Unloading jatropha seedlings, India

> The projects brought in by D1, which give oil that we can sell, will give our people food. That is very welcome.

Jatropha farming creates jobs in Swaziland

Although Swaziland is relatively prosperous compared to many African countries, its rural communities remain poor by international standards. Some 84% of the country's poor live in rural areas, where per capita income is significantly lower than in the towns. Many rural households still survive by subsistence agriculture. When drought hit Swaziland in 2004 and 2005, more than one quarter of the country's population required emergency food aid.

D1 Oils has been assisting Swazi farmers to develop *Jatropha curcas* as a new energy crop since 2005, when the development of biodiesel production was endorsed as a project at the Job Creation Summit launched by His Majesty, King Mswati III. Growing of jatropha was introduced to farmers and rural communities to enable them to supplement their incomes with a new cash crop grown on land that is currently fallow and uncultivated. The project is supported by the Swaziland Ministry of Enterprise and Employment as a means to reduce poverty and create jobs.

D1 established a model jatropha farm at Hluthi in the Shiselweni region in the south of Swaziland in 2005. The 1,000 hectare farm has a nursery facility capable of producing 5.8 million jatropha seedlings per season. The long-term objective is to encourage surrounding farmers and communities to take up planting jatropha and to create a cluster of growers to support an expeller plant to produce crude jatropha oil for biodiesel production. D1 has also trained over 40 Ministry of Agriculture extension officers who, through a farmer outreach programme, have trained more than 1,500 outgrowers in communities across the country.

The Hluthi farm has created approximately 500 direct jobs in the local community, giving a number of families who previously engaged only in subsistence farming the first cash income into their homes. In addition to creating jobs, D1 has sponsored the Hluthi Police youth football club and provided fencing for lands of the local Hluthi Chiefdom.

According to Local Chief Nkosiyabonga Susa II Dlamini, the prospect of biofuels in his region is improving people's lives and addressing poverty. "Our people are living in poverty. There is no food, no jobs, the land is dry and our harvests have been bad. The projects brought in by D1, which give oil that we can sell, will give our people food. That is very welcome."

Jatropha nursery, Hluthi

Jatropha crop maintenance, Hluthi

Directors and advisors

Lord Oxburgh of Liverpool KBE FRS
Non-Executive Chairman, 73

Lord Oxburgh of Liverpool is a long-standing public advocate of the need to address climate change issues. He served as the Non-Executive Chairman of Shell Transport and Trading plc from 2004 to 2005. As a UK Parliamentarian, he chaired the Parliamentary Science and Technology Select Committee from 2001 to 2004 and is Vice-Chairman of the Globe UK Group. Lord Oxburgh was Rector of Imperial College London from 1993 to 2001. He is a former Chief Scientific Advisor to the Ministry of Defence. Lord Oxburgh is also an advisor to Climate Change Capital. He is currently Chairman of the Carbon Capture and Storage Association and of Falck Renewables.

Elliott Mannis
Chief Executive Officer, 46

Elliott Mannis joined D1 in 2005 as Chief Financial Officer and Company Secretary and was appointed as Chief Executive Officer in January 2006. Elliott was the Group Finance Director at AWG Plc, the parent company of Anglian Water, for six years prior to joining D1. He has also held senior positions, including Group Financial Controller, at Aegis Group plc, where he worked from 1993 to 1998. Before joining Aegis, Elliott spent nine years at Price Waterhouse, initially in Vancouver, Canada, and subsequently in London.

Christopher Tawney
Group Finance Director, 50

Christopher Tawney qualified as a chartered accountant with Price Waterhouse and has been a finance director and, prior to that, financial controller with a number of international blue chip companies. Christopher joined D1 from WBB Minerals, part of Belgium's Sibelco Group and one of the world's largest providers of industrial minerals. Prior to joining WBB in 2001, he was UK and Ireland Controller of Lucent Technologies.

Dr. Clive Morton OBE
Non-Executive Deputy Chairman and Senior Independent Director, 64

Dr Clive Morton is Chairman of Dermasalve Sciences PLC, Chairman of Sabien Technology Group PLC and Professor at Middlesex University Business School. He is the founder of the Morton Partnership and a past member of the DTI Partnership Panel. Until recently Clive was Chairman of Peterborough and Stamford Hospitals NHS Foundation Trust. He is formerly Business Development Director at Anglian Water International, and during his career has held the position of Personnel Director at Northern Electric Plc, Rolls-Royce Industrial Power Group, Anglian Water Plc and Komatsu UK Limited. He holds a PhD in Industrial Relations from the London School of Economics.

Barclay Forrest OBE, FRAgs
Non-Executive Director, 66

Barclay Forrest is a Scottish farmer and a founding committee member of British Cereal Exports. His many public appointments have included Vice President of the Scottish National Farmers' Union (1981), Chairman of British Cereal Exports (1995 – 2000) and Chairman of the Oxford Farming Conference (2004). Barclay is currently Vice President of the China Britain Business Council (CBBC) and a Non-Executive Director of Helius Energy Plc and the China Global Investment Fund (CGIF).

Professor Christopher Leaver CBE, FRSE, FRS
Non-Executive Director, 65

Chris Leaver, Emeritus Professor of Plant Science at the University of Oxford, is a leading expert in the understanding of the molecular and biochemical basis of plant growth and differentiation. He was Sibthorpian Professor and head of Department of Plant Science at Oxford University from 1990 to 2007. He is a Visiting Professor at the University of Western Australia.

Moira Black CBE
Non-Executive Director, 57

Moira Black has had an active and distinguished career in accountancy and public services. She is currently Chairman of The North West London Hospitals NHS Trust and a Non-Executive Director of Defence Equipment & Support (DE&S), the procurement and support organisation within the UK Ministry of Defence. She is also Chairman of the DE&S Audit Committee, an independent Director of The Payments Council and a Member of the General Optical Council and its Honorary Treasurer. Moira qualified as a chartered accountant with Price Waterhouse.

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Melford Deane

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The Registry
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Kent BR3 4TU

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

Principal activity

The Company's principal activity is that of a holding company. D1 Oils plc is the parent company of a group of companies engaged in the development of the technology and services required to develop energy crops into sustainable biofuels for road transport. During the year ended 31 December 2007 the Group also engaged in the refining and trading of biodiesel for road transport fuel.

Review of business

We began the year having successfully completed a placing in December 2006 raising £49.2m, enabling us to fund the development of our plant science programme and to expand our UK refining capacity. In June 2007, we announced our joint venture with BP. This was approved by shareholders at an EGM in July. The Company formed for the purposes of the joint venture, D1-BP Fuel Crops Limited, began operations in October 2007. Further details are included in the report of the Chairman and the Chief Executive Officer, the financial review and the operations sections.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are assessed as biological and planting risk, technology risk, competitive risk, political and legislative risk and financial instrument risk.

Biological and planting risk

Planting undertaken by third parties can be difficult to measure accurately and there are inherent biological risks associated with any agricultural activity, including disease, drought or similar damaging conditions. The rights to planting or offtake may prove difficult to enforce in various countries and the prices payable will vary with local market conditions and the accessibility of the crop.

Technology risk

D1 has chosen *Jatropha curcas* as its principal feedstock for the production of biodiesel. The cultivation of jatropha poses the normal risks associated with the cultivation of crops. Furthermore, jatropha is a new crop for which planting and cropping practices are in development. We are addressing these issues in our plant science programme and through the work of D1-BP Fuel Crops.

Competitive risk

Plant science – *Jatropha curcas* is recognised globally as a potential feedstock for biodiesel production. As demand for biodiesel expands we can expect more entrants to the business of jatropha plant science. It is likely that some new entrants will become competitors to D1. However, given the exclusive relationship between our plant science operations and our joint venture with BP, we believe that we are well positioned to maintain our lead in the plant science and related technology and services for breeding and multiplying jatropha seedlings that have the potential to produce high oil yields.

Planting – As with plant science, the global development of the biofuels industry is leading to an increase in jatropha planting operations worldwide. In June 2007, D1 Oils signed a joint venture agreement with BP to work together on the global development of jatropha as a sustainable biodiesel crop, including the planting of trees, harvesting jatropha grain, oil extraction and transport and logistics. We believe that this joint venture operation will have a competitive advantage because it is backed by both D1's leading plant science capabilities and the logistical and other strengths of BP.

Process technologies – D1's biodiesel refining operations have been based at two sites in the UK. As a result of a thorough review of operations in this area, the Board believes that we can no longer operate competitively as a refiner and we therefore intend to withdraw from this activity. There are inherent uncertainties associated with process technologies during both operation and during any phase of decommissioning. Such activity may result in unforeseen costs or may realise on exit a lower value than previously foreseen.

Contractual risks

There are inherent uncertainties and risks associated with entering into contracts with suppliers, customers, financial institutions, landowners and employees. If circumstances change it is possible that such financial commitments may become onerous.

Political and legislative risk

The Group operates on a global basis and must comply with a range of local legislative requirements and regulations, including: legal, regulatory and taxation requirements; trade standards; trade and transportation restrictions and tariffs. Furthermore, the Group depends on the support of various third parties, including national governments. Any of these factors may be subject to changes which could adversely affect the Group's ability to conduct business, or the performance of its business.

In common with other crops, jatropha seed and seedlings are subject to biological material import and export regulations. In addition, as a new crop, a number of jurisdictions require additional regulatory measures prior to cultivating jatropha on a larger scale. These regulations may be subject to change and we continually test to ensure that we are in compliance.

Financial instrument risk

The Group's results from its operations overseas could be adversely affected by currency fluctuations or changes to dividend and exchange controls. The Group looks to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a country level. This is achieved by negotiating contracts in our regions of operation using local currencies and regulations. Working capital facilities are negotiated locally.

Research and development

The Group has an active plant science research and development programme focused on *Jatropha curcas*. The Group achieved its first selection of elite jatropha material, namely E1, and began commercial multiplication of the seed in 2007. We expect to plant up to 50,000 hectares of this material during 2008.

The Group's programme is focused on breeding of planting seed to deliver high-yielding varieties of jatropha with a good oil profile for the production of biodiesel. The Group has alliances with leading developers of supporting technology, including genetic fingerprinting. The Group has established a central breeding facility in Cape Verde, which now houses the Group's collection of jatropha accessions. Regional development centres in Swaziland, Zambia, India, Thailand and Indonesia organise product placement and agronomy research and coordinate multiplication activities. A total of 33 product placement and research trial sites for jatropha are now operational worldwide. We are also developing a stewardship programme, the Sustainable Oil Supply Programme (SOSP), to support D1-BP Fuel Crops and our plantation partners. Following the successful expelling of jatropha grain on a pilot scale at D1's regional development centre in Coimbatore, India, D1-BP Fuel Crops is now working to implement scaled-up expelling to process material quantities of jatropha grain into crude vegetable oil and useful by-product.

The plant science team is also leading our feed programme to develop commercial technology for the removal of anti-nutritional compounds present in jatropha meal after oil extraction. Having quantified non-edible compounds present in the meal and measured their bioactivity, we aim to develop a large-scale extraction method.

Safety, health and environment (SHE)

The Board considers managing the safety and health of our people and protecting the environment as a corporate governance priority.

Elliott Mannis, Chief Executive Officer, is ultimately responsible for SHE performance. The Refining and Trading Director, Adrian Tattersall, has functional responsibility for SHE and advises the Board on policy implementation. Fundamental to our management of SHE is the recognition that it is a line management responsibility and should not be delegated to a function. SHE is a responsibility of all managers and employees and this is regularly communicated and reinforced.

During 2007 we put in place a series of policies to ensure that we manage SHE issues effectively and that we continually test and improve our performance. In September 2007, the senior management put their attitudes and actions regarding SHE under scrutiny from external advisors. As a result, we have launched a programme to raise further awareness of behavioural safety throughout the Company. We have developed a vision for SHE and a charter for personal behaviour to which all senior management have publicly committed. Our SHE policy is now supported by a set of global SHE Standards and a formal management system.

Our refining and trading team includes trained incident investigators who use a formal and rigorous system of investigation that is widely used in the oil and gas industries and other high-hazard environments. We plan to extend investigation training to our plant science operations in 2008. We investigate all incidents, including "near hits", whether they concern safety, health and environment or involve any business loss or damage to reputation. The requirement to investigate and the depth of the investigation are founded on a formal risk assessment of the potential, rather than actual, consequences of an incident.

There were no reportable injuries or breaches of environmental consents in 2007. In November 2007 we passed a significant milestone: 500,000 hours worked without a reportable injury.

We also started a major product stewardship programme in 2007 to understand the potential for *Jatropha curcas* plants and products to affect human health, and to ensure jatropha plants and products comply with European REACH (Regulation Evaluation and Authorisation of Chemicals) regulations. *Jatropha curcas* is known for its purgative properties and has traditionally been used as hedging because animals avoid eating it. It has been used in traditional medicine for centuries. However, our duty of responsible care demands that we understand fully the potential effects of exposure to jatropha plants, seeds, oils and methyl esters. The programme, which we are running jointly with BP, will continue and will include formal occupational health monitoring and hygiene schemes.

In 2008 we intend to strengthen SHE management as our business activities grow worldwide. Global SHE Standards will be supported with formal guidance on key business activities and safe systems of work. We expect to make significant progress with the product stewardship programme, achieving the pre-registration of jatropha oil and biodiesel under REACH. Our aim is to remain free of reportable injuries and not to damage the environment.

Corporate and social responsibility

D1 Oils plc is committed to acting ethically and to contributing to the economic development of the regions where we operate. In particular we believe strongly in the need to improve the quality of life of our planting workforce, their families and communities. Examples of these activities are contained in the corporate and social responsibility section on pages 13 and 14 of this report.

Jatropha curcas is a biodiesel crop that has the potential to be grown in sufficient quantities to produce commercial volumes of biodiesel sustainably. Jatropha's environmental "elasticity" enables it to grow in a wide range of poorer soils, including marginal land. Growing jatropha need not threaten the supply of arable land for food production and can enable previously unused land to be brought back into production. Food crops can be intercropped with jatropha trees in their early years of growth, enabling co-production of food and fuel. Jatropha does not thrive in the wetter conditions associated with rainforest. D1 is committed to the sustainable planting of jatropha and is working with its partners, including D1-BP Fuel Crops, to establish sustainability standards for jatropha planting. Now that we have a sufficiently large footprint of jatropha planted across the world to enable comparisons of commercial operation in different climates and under different planting models, field research is underway to assess the lifecycle of emissions and the energy balance of the crop worldwide. This research is being undertaken in tandem with D1's Sustainable Oil Supply Programme (SOSP). The objective of SOSP is the establishment of policies and guidelines to support our plantation partners in the social, environmental and economically sustainable development of our business.

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors
The current Directors are listed on page 15 of this report. In addition to the Directors listed, William Peter Campbell resigned from his Executive Director post on 31 March 2007; Richard Keith Gudgeon and Stephen Peter Douty both resigned from their Executive Director posts on 28 September 2007; and Peter John Davidson and Karl Eric Watkin served as Non-Executive Directors until their resignation on 28 September 2007 and 10 March 2008 respectively.

Dividends and transfers to reserves
No dividend has been paid or proposed for the period.

Corporate governance
As an AIM-listed company, there is no requirement to comply with the revised Combined Code, issued by the Financial Reporting Council in June 2006, (the "Combined Code"). However, the Directors recognise the value of the provisions set out in the Combined Code and have decided to provide certain corporate governance disclosures based on the disclosures required of a fully listed company.

The Board has established an Audit Committee, a Nominations Committee and a Remuneration Committee, each with formally delegated duties and responsibilities. The Audit Committee is comprised of Clive Morton (Chairman), Moira Black and Barclay Forrest. The Remuneration Committee is comprised of Barclay Forrest (Chairman), Lord Oxburgh and Clive Morton. The Nominations Committee is comprised of Lord Oxburgh (Chairman), Barclay Forrest and Clive Morton.

The Audit Committee receives and reviews reports from management and the Company's auditors relating to the interim and annual financial statements and the accounting and internal control systems in use throughout the Company. The Audit Committee has unrestricted access to the Company's auditors.

The Remuneration Committee reviews the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board. The Remuneration Committee also administers the Group's share option scheme.

The Nominations Committee meets as required to consider and make recommendations on the appointment of Directors to the Board.

Substantial interests
The following shareholdings of 3% or more of the ordinary share capital of the Company are set out in the register of members of the Company as at 31 December 2007:

	Number of shares	%
BlackRock Investment Management (UK)	8,727,852	14.03
UBS AG	8,630,162	13.87
Principle Capital Advisors	6,892,214	11.07
Lansdowne Partners LP	5,616,211	9.02
Lehman Brother International (Europe)	3,009,088	4.83
Karl Eric Watkin	2,596,250	4.17
Majedie Asset Management	2,200,651	3.54
Fortis Banque Luxembourg	2,102,471	3.38
Gartmore Investment Management	1,924,320	3.09
DWS Invest	1,907,006	3.06
	43,606,225	70.06

Policy on financial instruments
The Group's financial instruments comprise a mortgage, cash, finance leases, and short-term debtors and creditors arising from its operations. The Group has not established a formal policy on the use of financial instruments but assesses the risks faced by the Group as economic conditions and the Group's operations develop. The Group has used derivative financial instruments to hedge risks associated with fluctuations in the price of Ultra Low Sulphur Diesel (ULSD). Further information is contained in note 29 to the financial statements.

Supplier payment policy
It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay in accordance with those terms based upon the timely receipt of an accurate invoice. The holding company does not trade. The trade creditors' days of the Group for the year ended 31 December 2007 were 15 days calculated in accordance with the requirements set down in the Companies Act 1985.

Political and charitable donations
During the year the Group made no political or charitable donations.

Directors' declaration
In accordance with the Companies Audit, Investigations and Enterprise Act 2004, as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

Auditors
A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

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

Melford Deane
Company Secretary
8 April 2008

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual review and the Group financial statements in accordance with applicable UK law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors" and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. 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 irregularities.

Directors' declaration

As far as each Director is aware, at the date when this report was approved, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information,

Pages 16 to 19, inclusive, of this Annual Report comprise a Report of the Directors that has been drawn up and presented in accordance with UK company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

In particular, Directors would be liable to the Company (but not to any third party) if the Directors' report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Cautionary statement regarding forward-looking statements

This Annual Report has been prepared for the members of the Company and no one else. The Company, its Directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements with respect to the principal risks and uncertainties facing D1 Oils plc. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Independent auditors' report
to the members of D1 Oils plc

We have audited the group and parent company financial statements (the "financial statements") of D1 Oils plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expenses and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been 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 are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the Corporate Statement, the Report of the Chairman and of the Chief Executive Officer, the Operational Review, the finance review and the Corporate social responsibility statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- 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.

Ernst & Young LLP
Registered auditor
Newcastle-upon-Tyne
8 April 2008

Consolidated income statement

for the year ended 31 December 2007

	Note	**Year ended 31 December 2007 £000**	Year ended 31 December 2006 £000
Group revenue	3, 4	**10,579.7**	1,560.3
Cost of sales		**(15,677.7)**	(2,366.7)
Gross loss		**(5,098.0)**	(806.4)
Administrative expenses	4	**(15,207.5)**	(12,212.9)
Gross trading loss		**(20,305.5)**	(13,019.3)
Fixed asset impairment	10	**(22,778.9)**	—
Share of post tax losses of associates and joint ventures accounted for using the equity method	12	**(1,516.5)**	(121.5)
Exceptional item – net deficit on transfer of operation to joint venture	13	**(2,764.3)**	—
Impairment of goodwill arising on acquisition		**—**	(6.3)
Group operating loss from continuing operations		**(47,365.2)**	(13,147.1)
Finance revenue	4, 7	**1,572.5**	566.4
Finance costs	7	**(306.8)**	(46.9)
Loss from continuing operations before taxation		**(46,099.5)**	(12,627.6)
Tax expense	8	**(36.7)**	—
Loss for the year from continuing operations		**(46,136.2)**	(12,627.6)
Loss per ordinary share			
Basic and diluted loss per ordinary share (pence)	9	**74.85**	39.98

No profit and loss account is presented by the Company as permitted by Section 230 of the Companies Act 1985. The Company's loss for the year was £72,266,700 (2006: £2,774,400).

Consolidated balance sheet

as at 31 December 2007

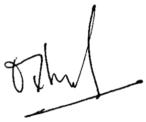
	Note	As at 31 December 2007 £000	As at 31 December 2006 £000
Assets			
Non-current assets			
Property, plant and equipment	10	**6,984.3**	14,486.3
Biological assets		**—**	74.5
Intangible assets	11	**41.3**	119.1
Trade and other receivables		**—**	948.9
Investments accounted for using the equity method	12	**15,180.5**	—
Other investments	12	**—**	18.2
		22,206.1	15,647.0
Current assets			
Inventories	15	**2,220.3**	3,023.3
Trade and other receivables	16	**4,118.7**	898.3
Other financial assets	17	**11,021.6**	2,317.3
Cash and short-term deposits	18	**3,596.6**	49,066.3
		20,957.2	55,305.2
Assets held for resale	14	**100.0**	100.0
Total assets		**43,263.3**	71,052.2
Equity and liabilities			
Current liabilities			
Trade and other payables	19	**(2,367.4)**	(2,811.9)
Interest-bearing loans and borrowings	20	**(492.9)**	(476.1)
Accruals and deferred income		**(1,678.9)**	(2,208.9)
Other financial liabilities	22	**(1,135.3)**	—
Provisions	23	**(3,000.0)**	—
		(8,674.5)	(5,496.9)
Non-current liabilities			
Interest-bearing loans and borrowings	20	**(3,307.2)**	(3,763.6)
Investments accounted for using the equity method	12	**—**	(154.6)
		(3,307.2)	(3,918.2)
Total liabilities		**(11,981.7)**	(9,415.1)
Net assets		**31,281.6**	61,637.1

Consolidated balance sheet continued

as at 31 December 2007

	Note	As at 31 December 2007 £000	As at 31 December 2006 £000
Capital and reserves			
Equity share capital	25, 26	**622.4**	614.8
Share premium	26	**85,051.4**	83,832.2
Own shares held	26	**(484.0)**	(484.0)
Other reserves	26	**437.7**	437.7
Revenue reserves	26	**(66,451.2)**	(22,172.0)
Share option reserve	26	**12,787.0**	—
Currency translation reserve	26	**(681.7)**	(591.6)
Equity shareholders' funds		**31,281.6**	61,637.1

These financial statements were approved by the Board of Directors on 8 April 2008.



Lord Oxburgh of Liverpool
Chairman

Christopher Tawney
Group Finance Director

Consolidated statement of recognised income and expense

for the year ended 31 December 2007

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Income and expense recognised directly in equity		
Losses on cash flow hedges taken to equity	**(1,100.6)**	—
Exchange difference on retranslation of foreign operations	**(90.1)**	(591.6)
Net income recognised directly in equity	**(1,190.7)**	(591.6)
Transfers to the income statement		
Losses on cash flow hedges taken to cost of sales	**1,100.6**	—
Net transfers to the income statement	**1,100.6**	—
Loss for the year	**(46,136.2)**	(12,627.6)
Total recognised income and expense for the year	**(46,226.3)**	(13,219.2)
Attributable to:		
Equity holders of the parent	**(46,226.3)**	(13,219.2)

Consolidated cash flow statement

for the year ended 31 December 2007

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Operating activities		
Loss for the year before tax	**(46,099.5)**	(12,627.6)
Adjustments to reconcile loss for the year before tax to net cash flow from operating activities:		
Depreciation of property, plant and equipment, and intangible assets	**863.8**	367.6
Impairment of fixed assets	**22,778.9**	—
Impairment of goodwill on acquisition of joint ventures	**—**	6.3
Impairment of goodwill	**64.1**	—
Impairment of investments	**60.0**	—
Share-based payments	**1,857.0**	1,135.0
Profit on disposal of investments	**(7.0)**	—
Loss on disposal of fixed assets	**—**	17.7
Exceptional item	**2,764.3**	—
Cash items within exceptional item	**(2,393.9)**	—
Share of post tax losses of joint ventures accounted for using the equity method	**1,516.5**	121.5
Finance income	**(1,286.9)**	(566.4)
Finance expense	**306.8**	46.9
Decrease/(increase) in inventories	**803.3**	(2,897.1)
Increase in trade and other receivables	**(1,992.7)**	(1,062.1)
Increase in other financial assets	**(56.3)**	—
Increase in trade and other payables	**1,510.9**	3,210.8
Increase in other financial liabilities	**1,135.3**	—
Increase in provisions	**(3,000.0)**	—
Net cash flow from operating activities	**(21,175.4)**	(12,247.4)
Investing activities		
Interest received	**1,286.9**	566.4
Payments to acquire property, plant and equipment	**(16,580.4)**	(11,582.6)
Payments to acquire intangible fixed assets	**(4.7)**	—
Funds transferred to deposits	**(8,362.4)**	(2,317.3)
Purchase of joint venture investments	**(903.5)**	—
Purchase of trade investments	**(60.0)**	(4.2)
Sale of trade investments	**25.2**	—
Net cash flow from investing activities	**(24,598.9)**	(13,337.7)

Consolidated cash flow statement continued

for the year ended 31 December 2007

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Financing activities		
Interest paid	**(306.8)**	(46.9)
Exercise of share options	**1,008.2**	47,030.0
Bonus shares	**136.5**	—
New borrowings	**36.4**	3,400.0
Settlement of non-current liabilities 2006	**(12.8)**	—
Repayment of mortgage	**(60.0)**	—
Repayment of capital element of finance leases	**(361.3)**	(55.0)
Net cash flow from financing activities	**440.2**	50,328.1
Net (decrease)/increase in cash and cash equivalents	**(45,334.1)**	24,743.0
Cash and cash equivalents at the start of the year	**49,024.4**	24,281.4
Effects of exchange rates	**(93.7)**	—
Cash and cash equivalents at the end of the year	**3,596.6**	49,024.4

Cash and cash equivalents comprises the following:

	Note	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Cash at bank and in hand	18	**3,206.3**	2,261.8
Short-term deposits	18	**390.3**	46,804.5
Short-term borrowings and overdrafts	20	**—**	(41.9)
		3,596.6	49,024.4

Company balance sheet

as at 31 December 2007

	Note	As at 31 December 2007 £000	As at 31 December 2006 £000
Assets			
Non-current assets			
Other investments	12	**12,912.0**	143.2
		12,912.0	143.2
Current assets			
Trade and other receivables	16	**457.7**	33,160.9
Other financial assets	17	**8,704.3**	—
Cash and short-term deposits	18	**3,025.8**	48,569.3
		12,187.8	81,730.2
Total assets		**25,099.8**	81,873.4
Equity and liabilities			
Current liabilities			
Trade and other payables	19	**(377.0)**	(224.3)
Accruals and deferred income		**(541.5)**	(1,105.5)
Financial liabilities	22	**(33.6)**	—
Total liabilities		**(952.1)**	(1,329.8)
Net assets		**24,147.7**	80,543.6
Capital and reserves			
Equity share capital	25, 26	**622.4**	614.8
Share premium	26	**85,051.4**	83,832.2
Own shares held	26	**(484.0)**	(484.0)
Revenue reserves	26	**(73,829.1)**	(3,419.4)
Share option reserve	26	**12,787.0**	—
Equity shareholders' funds		**24,147.7**	80,543.6

These financial statements were approved by the Board of Directors on 8 April 2008.

Lord Oxburgh of Liverpool
Chairman

Christopher Tawney
Group Finance Director

Company statement of recognised income and expense

for the year ended 31 December 2007

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Loss for the period	**(72,266.7)**	(2,774.4)
Total recognised income and expense for the period	**(72,266.7)**	(2,774.4)
Attributable to:		
Equity holders of the parent	**(72,266.7)**	(2,774.4)

Company cash flow statement

for the year ended 31 December 2007

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Operating activities		
Loss for the year before tax	**(72,266.7)**	(2,774.4)
Adjustments to reconcile loss for the year before tax to net cash flow from operating activities:		
Share-based payments	**1,857.0**	1,135.0
Profit on disposal of investments	**(7.0)**	—
Impairment of amounts owed by Group undertakings	**70,890.1**	—
Finance income	**(1,451.5)**	(564.1)
Increase in trade and other receivables	**(38,529.3)**	(21,444.3)
(Decrease)/increase in trade and other payables	**(295.1)**	941.4
Net cash flow from operating activities	**(39,802.5)**	(22,706.4)
Investing activities		
Interest received	**1,451.5**	564.1
Funds transferred to deposits	**(8,362.4)**	—
Purchase of trade investments	**—**	(4.2)
Sale of trade investments	**25.2**	—
Net cash flow from investing activities	**(6,885.7)**	559.9
Financing activities		
Exercise of share options	**1,008.2**	47,030.0
Bonus shares	**136.5**	—
Net cash flow from financing activities	**1,144.7**	47,030.0
Net (decrease)/increase in cash and cash equivalents	**(45,543.5)**	24,883.5
Cash and cash equivalents at the start of the year	**48,569.3**	23,685.8
Cash and cash equivalents at the end of the year	**3,025.8**	48,569.3

Cash and cash equivalents comprises the following:

	Note	**Year ended 31 December 2007 £000**	Year ended 31 December 2006 £000
Cash at bank and in hand	18	**2,635.5**	1,764.8
Short-term deposits	18	**390.3**	46,804.5
		3,025.8	48,569.3

Notes to the financial statements

for the year ended 31 December 2007

1. Authorisation of financial statements and compliance with IFRS

The financial statements of D1 Oils plc and its subsidiaries ("the Group") for the year ended 31 December 2007 were authorised for issue by the Board of Directors on 8 April 2008 and the balance sheet was signed on the Board's behalf by Christopher Tawney, Group Finance Director. D1 Oils plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2007.

2. Summary of significant accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2007.

The Group's date of transition to IFRS reporting is 1 January 2006, having previously reported under United Kingdom Generally Accepted Accounting Practises ("UK GAAP"). Reconciliations of net assets, profit and cash flow under UK GAAP to IFRS are summarised in note 30.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life tangible and intangible assets are tested for impairment annually and at other times when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where realisable value is used as the basis of valuation, management must estimate the net income realisable from the sale of the asset and apply an appropriate discount rate to the cash flows arising.

Impairment of available-for-sale financial assets

The Group classifies certain financial assets as available-for-sale and recognises movements in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. At 31 December 2007 no impairment losses have been recognised for available-for-sale assets (2006: £nil).

Share-based payments

The estimation of the share-based payment cost requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs which arise from judgments relating to the probability of meeting non-market performing performance conditions and the continuing participation of employees.

Basis of consolidation

The Group financial statements consolidate the financial statements of D1 Oils plc and the entities it controls drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating polices of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible voting rights, or by way of contractual agreement.

The financial statements of subsidiaries are prepared for the same reporting year as the parent Company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated. Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from the parent Company's shareholders' equity. When a subsidiary is not wholly owned by the Group and it incurs losses, amounts allocated to the minority are limited to the value in the balance sheet of the minority interest in the subsidiary's equity. Losses in excess of this limit have been allocated against the majority interest, except where the minority is under an obligation to make good any loss.

Interests in joint ventures

A joint venture is defined in IAS 31 as a "contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control".

Where the joint venture is established through an interest in a company, partnership or other entity (a jointly controlled entity), the Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Group income statement reflects the share of the jointly controlled entity's results after tax. The Group statement of recognised income and expense reflects the Group's share of any income and expense recognised by the jointly controlled entity outside profit and loss.

Any goodwill arising on the acquisition of a jointly controlled entity, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the entity's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the jointly controlled entity and is not amortised. To the extent that the net fair value of the entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the entity's profit or loss in the period in which the investment is acquired.

2. Summary of significant accounting policies continued

Financial statements of jointly controlled entities are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group to take into account fair values assigned at the date of acquisition and to reflect impairment losses where appropriate. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its jointly controlled entities.

The Group ceases to use the equity method on the date from which it no longer has joint control over, or significant influence in, the joint venture.

Where the financial statements of a jointly controlled entity used in the preparation of the financial statements are prepared as of a reporting date that is different from that of the Group, interim accounts are drawn up as at the Group reporting date and adjustments are made for the effects of significant transactions or events falling within the Group reporting period.

Interests in associates

The Group's interests in its associates, being those entities over which it has a significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting, as described above for jointly controlled entities.

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as loans and receivables or held-to-maturity investments, as appropriate. Financial assets also include cash and cash equivalents, trade and other receivables, other investments and derivative financial instruments. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets classified as fair value financial assets is as follows:

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. When there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and pricing models. Where fair value cannot be reliably estimated, assets are carried at cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Intangible assets

Research and development expenditure

The Group undertakes a range of plant science related research and development activities.

Product placement and agronomy research involves testing how well individual cultivars perform in identified growing areas. In these trials, the key performance characteristics of grain and oil yield and disease and insect resistance are measured, typically over a period of two years. On the basis of these tests, a number of the best performing cultivars are identified as technically feasible and are selected for commercial release. Any costs incurred up to the point of selection of these cultivars are regarded as research and are charged to the income statement as they are incurred. Costs subsequently incurred in producing the mother plants for planting seed orchards are classed as development expenditure and are capitalised as intangible assets. However, the useful economic life of any particular cultivar cannot be accurately predicted and may be as little as one year before it is superseded by the next generation. Therefore development expenditure is written off over a period of 12 months.

2. Summary of significant accounting policies continued

The Sustainable Oil Supply Programme (SOSP) collects and analyses data from commercial plantations and model farms with the aim of optimising the grain and oil yield through harvesting and expelling techniques. The costs of collation, creation and analysis of the database are treated as research expenditure and are charged to the income statement as they are incurred. Any subsequent expenditure incurred in producing instruction manuals, training programmes and other materials intended to assist planting partners improve performance is treated as development expenditure and is charged to the income statement as incurred.

The feed programme investigates alternative uses for and the removal of anti-nutritional substances from the by-product created when oil is extracted from the jatropha kernel. Any costs incurred in the design and construction of prototype processes and equipment are capitalised as intangible assets and charged against income over the useful economic life of the process. Otherwise costs are expensed to the income statement as incurred.

Various technologies for expelling oil from the harvested grains are being evaluated. The costs associated with the design, construction and testing of pilot plants are capitalised as tangible assets and charged against income over the expected useful economic life of the plant. Costs incurred prior to the construction of pre-production prototypes are charged against income as incurred.

Software

Software is initially carried at cost and thereafter stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful economic lives of 3–5 years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Leases

Assets held under finance leases, which transfer to the Group substantially all of the risks and benefits incidental of ownership of the leased item are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of minimum lease payments. Lease payments are apportioned between reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Restricted deposits such as amounts held by Allied Irish Bank as security are classified as financial assets rather than cash where the terms of the deposit mean that the balance cannot be readily converted to finance the day-to-day operations of the Group.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above and net of outstanding bank overdrafts.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over the expected useful life as follows:

Buildings	over 20 years
Plant and machinery	over 3–10 years
Motor vehicles	over 3–10 years
Fixtures, fittings and equipment	over 3–5 years

The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstance indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Where assets are held under finance leases and there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term (based on best estimates as at the balance sheet date), the asset is depreciated over its expected useful economic life. Otherwise, assets held under finance lease are depreciated over the shorter of the lease term and useful economic life.

Plantations

The cost of managed plantations is capitalised and included in property, plant and equipment and includes the direct costs of site preparation and clearance, fencing and all costs incurred to bring the plantation to a state in which seeds and seedlings can be planted. The trees themselves are classed as biological assets and are not included in the cost of the plantation.

2. Summary of significant accounting policies continued

Biological assets

Biological assets are the costs of seeds or seedlings purchased and the associated propagation, planting and cultivation costs incurred up to the point that the trees produce their first commercial harvest. Jatropha trees produce their first commercial harvest approximately two years after planting and are considered mature after five to six years. Following the first commercial harvest of grain, the trees are measured at fair value less estimated point of sale costs using discounted cash flow techniques.

Until the first commercial harvest, the viability and yield of any plantation cannot be reliably measured and therefore immature or juvenile trees are recorded at cost.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except when hedge accounting is applied and for differences on monetary assets that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

The assets and liabilities of foreign operations and jointly controlled entities, including the related goodwill, are translated into Sterling at the rate of exchange ruling at the balance sheet date. Income, expenses and cash flows are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

The Group has taken advantage of the exemption in IFRS 1 in respect of cumulative translation differences so as to record the cumulative translation differences for all foreign entities as nil as at 1 January 2006.

Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Business combinations and goodwill

Business combinations on or after 1 January 2006 are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised as an asset as at 31 December 2005 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash generating units expected to benefit from the combination's synergies and monitored by management. Where the recoverable amount of the cash generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement. On disposal of a cash generating unit, the allocated goodwill is taken into account when determining the gain or loss on disposal to be recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	–	purchase cost on a first-in, first-out basis
Work in progress and finished goods	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

Trade receivables, which generally have 7–14 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made where there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Interest bearing loans and borrowings

Loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value, being the proceeds received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and taking into account any issue costs and any discount or premium on settlement.

Gains and losses arising on the repurchase, settlement or other cancellation of liabilities are recognised respectively in finance revenue and finance cost.

2. Summary of significant accounting policies continued

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise tax is recognised in the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to hedge its risks associated with fluctuations in the price of Ultra Low Sulphur Diesel (ULSD), which is used in the invoice price of certain sales. From 1 January 2006, such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Finance revenue is recognised as interest accrued using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to its net carrying amount.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Notes to the financial statements continued

for the year ended 31 December 2007

2. Summary of significant accounting policies continued

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees 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 entitled to the award. Fair value is determined by an external valuer 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 income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Assets held for sale

When an asset or disposal group's carrying value will be recovered principally through a sale transaction rather than through continuing use, it is classified as held for sale and stated at the lower of carrying value and fair value less costs to sell. No depreciation is charged in respect of non-current assets classified as held for sale.

New standards and interpretations not applied

During the year the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS)

IAS 1	Amendment to IAS 1 – Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Amendment to IAS 23 – Borrowing costs	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 The Limit on Defined Benefit Assets, Minimum Funding Requirements	1 January 2008

The Directors are currently reviewing the amendments to IAS 23 to determine whether there will be a material impact on the Group's financial statements.

IFRS 8 requires disclosure based on information presented to the Board. This is not expected to differ from the disclosures currently provided.

Apart from this, the Directors do not anticipate that the adoption of these standards will have a material impact on the Group's financial statements in the period of initial application.

3. Segmental information

The Group's primary reporting format is by business segment as the Group's risks and returns are affected predominantly by differences in the products and services provided. Secondary segmental information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided with each segment representing a strategic business unit that offers different products and serves different markets.

The plant science segment breeds seedlings for commercial planting and undertakes research and development activities focused on *Jatropha curcas*.

The refining and trading segment is concerned with the procurement and refining of vegetable oil and other feedstocks and the sale of biodiesel.

The agronomy segment is responsible for the commercial planting of jatropha and was transferred to the joint venture created with BP with effect from 1 October 2007.

D1-BP Fuel Crops is the joint venture established with BP on 1 October 2007 and, with effect from that date, is responsible for all commercial planting activities.

The corporate segment includes the activities of the Company and other central unallocated overheads. The corporate segment is responsible for raising finance and financing subsidiary operations. Included in operating loss for this segment are the operating costs of D1 Oils plc as well as central unallocated finance, business development, and corporate communications costs. The only item of income included is interest accruing on cash balances and short-term deposits. Assets held in the corporate segment are primarily cash and short-term deposits and interest accruing thereon.

The following table presents revenue and loss information and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2007 and 31 December 2006.

Year ended 31 December 2007	UK £000	Europe £000	Africa £000	Asia £000	India £000	JVs £000	Elimination £000	Group £000
Revenue to external customers								
Plant science	—	—	—	9.7	0.4	—	—	10.1
Refining and trading	10,569.6	—	—	—	—	—	—	10,569.6
Total	**10,569.6**	**—**	**—**	**9.7**	**0.4**	**—**	**—**	**10,579.7**
Operating loss								
Plant science	(1,286.6)	(226.9)	(241.9)	30.1	(278.7)	—	—	(2,004.0)
Agronomy	—	—	(1,450.9)	(1,246.9)	(657.4)	—	—	(3,355.2)
D1-BP Fuel Crops	—	—	—	—	—	(1,516.5)	—	(1,516.5)
Refining and trading	(31,746.3)	—	—	—	—	—	—	(31,746.3)
Exceptional item	(2,491.2)	—	(296.3)	31.3	(8.1)	—	—	(2,764.3)
	(35,524.1)	(226.9)	(1,989.1)	(1,185.5)	(944.2)	(1,516.5)	—	(41,386.3)
Corporate	(4,713.2)	—	—	—	—	—	—	(4,713.2)
Total	**(40,237.3)**	**(226.9)**	**(1,989.1)**	**(1,185.5)**	**(944.2)**	**(1,516.5)**	**—**	**(46,099.5)**
Assets by business segment								
Plant science	236.7	159.7	2,463.3	943.1	431.8	—	(902.2)	3,332.4
D1-BP Fuel Crops	—	—	—	—	—	15,180.5	—	15,180.5
Refining and trading	31,762.0	—	—	—	—	—	(18,799.4)	12,962.6
	31,998.7	159.7	2,463.3	943.1	431.8	15,180.5	(19,701.6)	31,475.5
Corporate	83,109.9	—	—	—	—	—	(71,322.1)	11,787.8
Total	**115,108.6**	**159.7**	**2,463.3**	**943.1**	**431.8**	**15,180.5**	**(91,023.7)**	**43,263.3**
Liabilities by business segment								
Plant science	(1,456.6)	(91.1)	(7,519.4)	(196.7)	(1,949.6)	—	10,377.9	(835.5)
Refining and trading	(88,018.5)	—	—	(2,855.1)	—	—	80,645.9	(10,227.7)
	(89,475.1)	(91.1)	(7,519.4)	(3,051.8)	(1,949.6)	—	91,023.8	(11,063.2)
Corporate	(918.5)	—	—	—	—	—	—	(918.5)
Total	**(90,393.6)**	**(91.1)**	**(7,519.4)**	**(3,051.8)**	**(1,949.6)**	**—**	**91,023.8**	**(11,981.7)**

3. Segmental information continued

	UK £000	Europe £000	Africa £000	Asia £000	India £000	JVs £000	Elimination £000	Group £000
Capital expenditure – tangible assets								
Plant science	25.3	3.9	—	2.0	—	—	—	31.2
Agronomy	—	—	914.3	65.0	134.3	—	—	1,113.6
Refining and trading	15,962.2	—	—	—	—	—	—	15,962.2
	15,987.5	3.9	914.3	67.0	134.3	—	—	17,107.0
Corporate	55.7	—	—	—	—		—	55.7
Total	**16,043.2**	**3.9**	**914.3**	**67.0**	**134.3**	**—**	**—**	**17,162.7**
Depreciation								
Plant science	(3.5)	(0.4)	—	(1.9)	(0.5)	—	—	(6.3)
Agronomy	—	—	(151.8)	(36.3)	(42.2)	—	—	(230.3)
Refining and trading	(533.7)	—	—	—	—	—	—	(533.7)
	(537.2)	(0.4)	(151.8)	(38.2)	(42.7)	—	—	(770.3)
Corporate	(75.1)	—	—	—	—	—	—	(75.1)
Total	**(612.3)**	**(0.4)**	**(151.8)**	**(38.2)**	**(42.7)**	**—**	**—**	**(845.4)**
Capital expenditure – intangible assets								
Plant science	1.4	—	—	—	—	—	—	1.4
Refining and trading	3.3	—	—	—	—	—	—	3.3
Total	**4.7**	**—**	**—**	**—**	**—**	**—**	**—**	**4.7**
Intangible amortisation								
Plant science	0.3	—	—	—	—	—	—	0.3
Refining and trading	18.1	—	—	—	—	—	—	18.1
Total	**18.4**	**—**	**—**	**—**	**—**	**—**	**—**	**18.4**
Asset impairment								
Refining and trading	22,778.9	—	—	—	—	—	—	22,778.9
Total	**22,778.9**	**—**	**—**	**—**	**—**	**—**	**—**	**22,778.9**
Impairment of investments								
Corporate	60.0	—	—	—	—	—	—	60.0
Total	**60.0**	**—**	**—**	**—**	**—**	**—**	**—**	**60.0**
Share-based payments								
Corporate	1,857.0	—	—	—	—	—	—	1,857.0
Total	**1,857.0**	**—**	**—**	**—**	**—**	**—**	**—**	**1,857.0**

3. Segmental information continued

Year ended 31 December 2006	UK £000	Europe £000	Africa £000	Asia £000	India £000	JVs £000	Elimination £000	Group £000
Revenue to external customers								
Agronomy	—	—	—	1.7	—	(11.5)	—	(9.8)
Refining and trading	1,570.1	—	—	—	—	—	—	1,570.1
Total	**1,570.1**	**—**	**—**	**1.7**	**—**	**(11.5)**	**—**	**1,560.3**
Operating loss								
Agronomy	—	—	(1,578.0)	(786.1)	(279.5)	(121.5)	—	(2,765.1)
Refining and trading	(6,669.3)	—	—	—	—	—	—	(6,669.3)
	(6,669.3)	—	(1,578.0)	(786.1)	(279.5)	(121.5)	—	(9,434.4)
Corporate	(3,194.3)	—	—	—	—	—	—	(3,194.3)
Total	**(9,863.6)**	**—**	**(1,578.0)**	**(786.1)**	**(279.5)**	**(121.5)**	**—**	**(12,628.7)**
Assets by business segment								
Agronomy	—	—	1,317.8	703.8	446.0	480.1	(161.0)	2,786.7
Refining and trading	28,285.8	—	—	—	—	—	(8,736.7)	19,549.1
	28,285.8	—	1,317.8	703.8	446.0	480.1	(8,897.7)	22,335.8
Corporate	81,873.5	—	—	—	—	—	(33,157.1)	48,716.4
Total	**110,159.3**	**—**	**1,317.8**	**703.8**	**446.0**	**480.1**	**(42,054.8)**	**71,052.2**
Liabilities by business segment								
Agronomy	—	—	(4,190.3)	(1,744.7)	(1,058.2)	(634.6)	5,068.5	(2,559.3)
Refining and trading	(42,262.3)	—	—	—	—	—	36,986.3	(5,276.0)
	(42,262.3)	—	(4,190.3)	(1,744.7)	(1,058.2)	(634.6)	42,054.8	(7,835.3)
Corporate	(1,579.8)	—	—	—	—	—	—	(1,579.8)
Total	**(43,842.1)**	**—**	**(4,190.3)**	**(1,744.7)**	**(1,058.2)**	**(634.6)**	**42,054.8**	**(9,415.1)**
Capital expenditure								
Agronomy	—	—	342.0	27.4	94.0	—	—	463.4
Refining and trading	11,078.9	—	—	—	—	—	—	11,078.9
Total	**11,078.9**	**—**	**342.0**	**27.4**	**94.0**	**—**	**—**	**11,542.3**
Depreciation								
Agronomy	—	—	38.8	15.1	33.3	—	—	87.2
Refining and trading	280.4	—	—	—	—	—	—	280.4
Total	**280.4**	**—**	**38.8**	**15.1**	**33.3**	**—**	**—**	**367.6**
Intangible amortisation								
Refining and trading	7.0	—	—	—	—	—	—	7.0
Total	**7.0**	**—**	**—**	**—**	**—**	**—**	**—**	**7.0**
Share-based payments								
Corporate	1,135.0	—	—	—	—	—	—	1,135.0
Total	**1,135.0**	**—**	**—**	**—**	**—**	**—**	**—**	**1,135.0**

4. Revenue and administrative expenses

Revenue recognised in the income statement is analysed as follows:

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Sales of goods	**10,579.7**	1,560.3
Finance revenue	**1,572.5**	566.4
	12,152.2	2,126.7

No revenue was derived from exchanges of goods or services.

Group operating loss is stated after charging/(crediting):

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Research and development costs written off	**110.4**	976.0
Depreciation of plant, property and equipment		
– owned assets	**462.7**	310.1
– impairment	**22,778.9**	—
– leased assets	**382.7**	57.5
Amortisation of intangible assets	**18.4**	3.5
Impairment of goodwill	**64.1**	6.3
Total depreciation and amortisation expense	**23,706.8**	377.4
(Profit)/loss on disposal of fixed assets	**7.0**	—
Net foreign currency differences	**(45.1)**	—
Auditors' remuneration		
– audit fees	**115.0**	119.3
– interim audit	**29.6**	45.5
– overseas audit	**165.5**	126.0
– taxation services	**167.5**	18.0
– audit of IFRS conversion	**40.7**	—
– advice in relation to establishment of the D1-BP Fuel Crops joint venture	**23.6**	—
– corporate finance services	**—**	85.0
Total	**541.9**	393.8
Payments under operating leases		
– property rents	**136.7**	—
– plant and machinery	**126.7**	156.0
Provision for bad and doubtful debts	**16.3**	—
Financial assets at fair value through income statement classified as held for trading		
– fair value on foreign currency contracts	**(56.3)**	—
Financial liabilities at fair value through income statement classified as held for trading		
– fair value on commodity swaps	**1,101.7**	—
– fair value on foreign currency contracts	**33.6**	—

5. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	Year ended 31 December 2007 Number	Year ended 31 December 2006 Number
Executive Directors	**3**	4
Technical	**66**	25
Administration and operational staff	**204**	70
Total	**273**	99

The costs incurred in respect of these employees (including Directors) were:

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Wages and salaries	**6,271.8**	4,867.4
Social security costs	**752.2**	409.9
Total	**7,024.0**	5,277.3

The average number of persons employed by the Company (including Executive Directors) during the year was:

	Year ended 31 December 2007 Number	Year ended 31 December 2006 Number
Executive Directors	**3**	4
Administration and operational staff	**1**	1
Total	**4**	5

The costs incurred in respect of these employees (including Directors) were:

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Wages and salaries	**943.2**	714.4
Social security costs	**132.8**	95.7
Total	**1,076.0**	810.1

6. Directors' remuneration

	Basic salary £000	Bonus £000	Fees £000	Benefits In kind and other £000	**Year ended 31 December 2007 £000**	Year ended 31 December 2006 £000
Executive Directors						
Elliott Michael Mannis	200.0	50.0	—	16.4	**266.4**	223.3
Richard Keith Gudgeon (i)	67.5	25.0	—	5.8	**98.3**	58.6
Stephen Peter Douty (ii)	112.5	25.0	—	9.5	**147.0**	179.1
William Peter Campbell (iii)	120.7	—	—	2.7	**123.4**	140.0
Philip Kenneth Wood	—	—	—	—	**—**	164.4
Christopher Tawney (iv)	50.0	—	—	3.1	**53.1**	—
Non-Executive Directors						
Karl Eric Watkin	—	—	55.0	—	**55.0**	75.0
John Barclay Forrest	—	—	40.6	—	**40.6**	35.0
Clive Neil Morton	—	—	52.2	—	**52.2**	62.5
Peter John Davidson (v)	—	10.0	23.3	0.6	**33.9**	35.9
Lord Oxburgh of Liverpool	75.0	—	—	—	**75.0**	12.5
Christopher Leaver (vi)	—	—	17.5	—	**17.5**	—
Moira Black (vii)	—	—	9.1	—	**9.1**	—
	625.7	110.0	197.7	38.1	**971.5**	986.3

6. Directors' remuneration continued

(i) Richard Keith Gudgeon resigned as a Director on 28 September 2007.

(ii) Stephen Peter Douty resigned as a Director on 28 September 2007.

(iii) William Peter Campbell resigned as a Director on 31 March 2007. Amounts totaling £90,690 were paid to him as compensation for loss of office and are included in the table above.

(iv) Christopher Tawney was appointed as a Director on 26 September 2007.

(v) Peter John Davidson resigned as a Director on 28 September 2007. During the year ended 31 December 2007 the Group incurred consultancy costs of £88,458 to Davidson Technology Limited (2006: £161,333), a company in which Peter John Davidson has indirect control.

(vi) Christopher Leaver was appointed as a Director on 13 July 2007.

(vii) Moira Black was appointed as a Director on 26 September 2007.

(viii) Save as disclosed in note (v) above in relation to Peter John Davidson, no consulting fees were paid to any Director or connected person of any Director in the year ended 31 December 2007. It is the Board's current intention not to enter into any consultancy arrangements with Directors or their connected persons.

Directors' share options:

	Options 1 January 2007	Granted 2007	Exercised 2007	Lapsed in 2007	Options 31 December 2007	Exercise price	Date exercisable	Expiry Date
Karl Eric Watkin	39,062	—	—	—	39,062	£1.280	October 2005	October 2014
William Peter Campbell	39,062	—	(39,062)	—	—	£1.280	October 2005	October 2014
John Barclay Forrest	78,125	—	—	—	78,125	£1.280	October 2005	October 2014
Peter John Davidson	156,250	—	(156,250)	—	—	£1.280	October 2005	October 2014
Clive Neil Morton	156,250	—	—	—	156,250	£1.280	October 2005	October 2014
William Peter Campbell	106,897	—	—	(106,897)	—	£2.900	(a)	October 2015
William Peter Campbell	136,363	—	—	(136,363)	—	£2.640	(a)	March 2016
Elliott Michael Mannis	33,613	—	—	—	33,613	£2.975	(a)	May 2015
Elliott Michael Mannis	132,075	—	—	—	132,075	£2.650	(a)	May 2015
Elliott Michael Mannis	500,000	—	—	—	500,000	£2.000	(a)	January 2016
Stephen Peter Douty	56,497	—	—	—	56,497	£1.770	(a)	January 2015
Stephen Peter Douty	132,075	—	—	—	132,075	£2.650	(a)	May 2015
Stephen Peter Douty	170,454	—	—	—	170,454	£2.640	(a)	March 2016
Richard Keith Gudgeon	100,378	—	—	—	100,378	£2.640	(a)	March 2016
Lord Oxburgh of Liverpool	—	50,000	—	—	50,000	£0.010	(a)	September 2016
Elliott Michael Mannis	—	487,500	—	—	487,500	£1.725	(a)	March 2017
Stephen Peter Douty	—	175,000	—	—	175,000	£1.725	(a)	March 2017
Richard Keith Gudgeon	—	22,727	—	—	22,727	£2.640	(a)	May 2016
Richard Keith Gudgeon	—	75,000	—	—	75,000	£1.725	(a)	March 2017
	1,837,101	810,227	(195,312)	(243,260)	2,208,756			

(a) These options have been granted as one third exercisable on the first anniversary of their date of grant. Thereafter a further 1/36 vests each month over the next 24 months so that the full amount is capable of being exercised after three years. The aggregate amounts of gains made by former Directors on the exercise of share options during the year amounted to £178,515. This represents the market price of the shares in excess of the exercise price on the date the options were exercised.

7. Finance revenue and costs

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Interest received on bank deposits	**1,572.5**	566.4
Interest income	**1,572.5**	566.4
Bank loans and overdrafts	**63.9**	0.9
Interest payable under finance leases and hire purchase agreements	**242.9**	46.0
Interest expense	**306.8**	46.9

8. Taxation

Tax recognised in the income statement

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Current tax charge – UK	**—**	—
Current tax charge – overseas (India)	**36.7**	—
Tax reported in consolidated income statement	**36.7**	—

Reconciliation

A reconciliation of total tax applicable to accounting profit before tax at the Group's effective tax rate for the years ended 31 December 2007 and 31 December 2006 is as follows:

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Loss on ordinary activities before taxation	**(46,099.5)**	(12,627.6)
At United Kingdom tax rate of 30% (2006 – 30%)	**(13,829.9)**	(3,788.3)
Expenditure not allowable for tax purposes	**100.0**	100.0
Unrecognised deferred tax asset on impairment of assets	**6,893.7**	—
Unrecognised deferred tax asset on ULSD swaps	**330.5**	—
Share option charge	**557.1**	340.5
Share of loss of joint venture	**443.7**	—
Transfer of operations to joint venture not taxable	**992.0**	—
Unrecognised tax losses	**3,513.9**	2,554.6
Losses of overseas subsidiaries for which no tax relief available	**1,035.7**	793.2
Total tax expense reported in consolidated income statement	**36.7**	—

9. Loss per ordinary share

	Year ended 31 December 2007 Number	Year ended 31 December 2006 Number
Weighted average number of shares in issue	**61,638,732**	31,584,579

	Pence	Pence
Loss per ordinary share – basic and diluted	**74.85**	39.98

The number of shares in issue at 31 December 2007 was 62,241,219 (2006: 61,480,578). For the purposes of calculating the loss per ordinary share the weighted average number of shares excludes 193,645 shares (2006: 193,645 shares) held by the D1 Oils plc Employee Benefit Trust. No diluted loss per share has been disclosed as the share options are anti-dilutive.

10. Property, plant and equipment

	Freehold land £000	Buildings £000	Plantations £000	Motor vehicles £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost							
At 1 January 2006	1,283.2	—	650.7	24.4	2,217.4	73.7	4,249.4
Additions	—	25.8	64.3	14.0	11,073.7	271.4	11,449.2
Disposals	—	—	—	(7.7)	(6.2)	(3.8)	(17.7)
Reclassify as assets held for sale	—	—	—	—	(100.0)	—	(100.0)
Sale of assets to joint venture	—	—	(650.7)	—	—	—	(650.7)
At 31 December 2006	1,283.2	25.8	64.3	30.7	13,184.9	341.3	14,930.2
Additions	2,941.7	—	346.5	229.7	13,297.1	347.7	17,162.7
Disposal	—	—	—	—	—	—	—
Reclassifications	—	300.0	—	—	(300.0)	—	—
Foreign exchange movements	—	—	1.0	4.2	10.3	7.7	23.2
Transfer of assets to joint venture	—	—	(411.8)	(242.8)	(339.0)	(203.6)	(1,197.2)
At 31 December 2007	**4,224.9**	**325.8**	**—**	**21.8**	**25,853.3**	**493.1**	**30,918.9**
Accumulated depreciation							
At 1 January 2006	—	—	—	4.9	60.2	15.2	80.3
Charge for the year	—	4.1	—	9.9	281.1	68.5	363.6
At 31 December 2006	—	4.1	—	14.8	341.3	83.7	443.9
Charge for the year	—	30.0	—	5.5	531.8	278.1	845.4
Impairment	1,241.7	253.2	—	—	21,127.9	156.1	22,778.9
Foreign exchange movements	—	—	—	0.4	3.4	3.2	7.0
Transfer of assets to joint venture	—	—	—	(3.3)	(1.5)	(135.8)	(140.6)
At 31 December 2007	**1,241.7**	**287.3**	**—**	**17.4**	**22,002.9**	**385.3**	**23,934.6**
Net book value							
At 31 December 2007	**2,983.2**	**38.5**	**—**	**4.4**	**3,850.4**	**107.8**	**6,984.3**
At 31 December 2006	1,283.2	21.7	64.3	15.9	12,843.6	257.6	14,486.3
At 1 January 2006	1,283.2	—	650.7	19.5	2,157.2	58.5	4,169.1

Impairment

In accordance with accounting standards, the Group undertakes an annual impairment test of its cash generating units. The refinery operations at our Middlesbrough and Bromborough sites have been impacted by high feedstock prices and imports of heavily subsidised biodiesel from the US. As a consequence, the Directors have stated their intention to cease refining and trading operations, to close the UK refining sites at Middlesbrough and Bromborough and to impair the assets at both sites down to their estimated net realisable values. The total impairment charge in 2007 is as follows:

	Freehold land £000	Buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Middlesbrough – site	—	253.2	—	—	253.2
Bromborough – site	1,241.7	—	—	—	1,241.7
Middlesbrough – refinery and associated assets	—	—	12,198.9	156.1	12,355.0
Bromborough – refinery and associated assets	—	—	8,929.0	—	8,929.0
	1,241.7	**253.2**	**21,127.9**	**156.1**	**22,778.9**

All impairment losses are attributable to the refining and trading segment and have been recognised in the income statement as a separate line item within operating profit.

Middlesbrough

The impairment of the refinery and associated assets held at Middlesbrough is based on the Board's estimate of their realisable value less costs of realisation. A charge of £12,355,000 has been recognised in the year (2006: £nil). At 31 December 2007 these assets have a carrying value of £3,750,000. The carrying value of these assets is based on recent discussions held with third parties who have expressed an interest in buying the D1 20 and D1 30 units.

The carrying value of the Middlesbrough site is based on the Board's estimate of the realisable value net of any associated costs and an impairment charge of £253,200 (2006: £nil) has been recognised. The carrying value of the Middlesbrough site at 31 December 2007 stands at £1,000,000 (2006: £1,283,200).

Bromborough

The impairment of the Bromborough refinery assets was based on value in use and resulted in an impairment of £8,929,000 (2006: £nil). These now have a carrying value of £nil.

The carrying value of the Bromborough site is based on an independent third party valuation and has been impaired by £1,241,700 (2006: £nil) to £2,000,000.

11. Intangible assets

	Software licences £000	Goodwill £000	Total £000
Cost			
At 1 January 2006	1.5	64.1	65.6
Additions in the period	60.5	—	60.5
At 31 December 2006	62.0	64.1	126.1
Additions in the period	4.7	—	4.7
At 31 December 2007	**66.7**	**64.1**	**130.8**
Accumulated amortisation			
At 1 January 2006	0.6	—	0.6
Charge for the year	6.4	—	6.4
At 31 December 2006	7.0	—	7.0
Charge for the year	18.4	—	18.4
Impairment	—	64.1	64.1
At 31 December 2007	**25.4**	**64.1**	**89.5**
Net book value			
At 31 December 2007	**41.3**	**—**	**41.3**
At 31 December 2006	55.0	64.1	119.1
At 1 January 2006	0.9	64.1	65.0

Goodwill arose on the acquisition of D1 Oil Subsidiary Limited by D1 Oils Trading Limited in 2004. It represents the excess of the fair value of the acquired net assets over their book value. As from 1 January 2006, the date of transition to reporting under IFRS, goodwill is no longer amortised but is now subject to annual impairment testing. The Directors have taken the decision to impair the carrying value of the goodwill in light of the intention to cease refining and trading operations in the UK.

12. Investments in subsidiaries and jointly controlled entities

The Company owns more than 10% of the share capital of the following companies:

Name	Nature of business	Country of incorporation	Shareholder class	Percentage
D1 Oils Trading Limited	Biodiesel trading	UK	Ordinary	100%
D1 Oil Subsidiary Limited	Biodiesel trading	UK	Ordinary	100%
D1 (UK) Limited	Biodiesel trading	UK	Ordinary	100%
D1-BP Fuel Crops Limited	Jatropha plantations	UK	Ordinary	50%
D1 Oils Plant Science Limited	Plant science	UK	Ordinary	100%
D1 Oils Plant Science Belgium BVT	Plant science	Belgium	Ordinary	100%
D1 Oils Plant Science Netherlands BVT	Plant science	Netherlands	Ordinary	100%
D1 Oils Plant Science West Africa Sociedad Unipessoal, SA	Plant science	Cape Verde	Ordinary	100%
D1 Oils Plant Science Swaziland Limited	Plant science	Swaziland	Ordinary	100%
D1 Oils Plant Science Zambia Limited	Plant science	Zambia	Ordinary	100%
D1 Oils Plant Science Philippines Inc	Plant science	Philippines	Ordinary	100%
D1 Oils Plant Science Madagascar Limited	Plant science	Madagascar	Ordinary	100%
D1 Oils Plant Science India Pvt	Plant science	India	Ordinary	100%
D1 Oils Malaysia SBN BHD	Dormant	Malaysia	Ordinary	50%
D1 Oils Africa Pty Limited	Dormant	South Africa	Ordinary	95%
D1 Oils Ghana Pty Limited	Dormant	Ghana	Ordinary	100%
D1 Oils Asia Pacific Pte Limited	Plant science	Singapore	Ordinary	100%
GroupBio Limited	Engine development	UK	Ordinary	55%

Investments in the Group comprise interests in joint ventures and trade investments. Investments in the Company comprise interests in subsidiary undertakings and trade investments.

12. Investments in subsidiaries and jointly controlled entities continued

Group

	D1-BP Fuel Crops joint venture £000	Other joint ventures £000	Other investments £000	Total £000
Cost				
1 January 2007	—	(154.6)	18.2	(136.4)
Additions in the year	16,693.5	903.5	60.0	17,657.0
Disposals in the year	—	—	(18.2)	(18.2)
Share of joint ventures' results	(1,516.5)	(249.5)	—	(1,766.0)
Exchange difference	3.5	12.5	—	16.0
Impairment	—	—	(60.0)	(60.0)
Written off on transfer to D1-BP Fuel Crops	—	(511.9)	—	(511.9)
31 December 2007	**15,180.5**	**—**	**—**	**15,180.5**

Additions in the year for other joint ventures represent investments in joint ventures subsequently transferred into the D1-BP Fuel Crops joint venture.

Company

	D1-BP Fuel Crops joint venture £000	Subsidiary undertakings £000	Other investments £000	Total £000
Cost				
1 January 2007	—	125.0	18.2	143.2
Additions in the year	12,787.0	—	—	12,787.0
Disposals in the year	—	—	(18.2)	(18.2)
31 December 2007	**12,787.0**	**125.0**	**—**	**12,912.0**

The Group's share of joint ventures' assets and liabilities are as follows:

	2007 £000	2006 £000
Non-current assets	**883.5**	416.8
Current assets	**16,527.5**	63.2
Current liabilities	**(2,193.0)**	(6.0)
Non-current liabilities	**(37.5)**	(628.6)
Share of net assets of joint ventures	**15,180.5**	(154.6)

The Group's share of joint ventures' losses is as follows:

	2007 £000	2006 £000
Revenue	**—**	—
Net operating costs	**(1,493.0)**	(121.5)
Operating loss	**(1,493.0)**	(121.5)
Net finance income	**21.0**	—
Share of loss from joint ventures accounted for using the equity method	**(70.5)**	—
Loss before tax	**(1,542.5)**	(121.5)
Minority interest	**26.0**	—
Share of losses of joint ventures	**(1,516.5)**	(121.5)

D1-BP Fuel Crops Limited had no capital commitments as at 31 December 2007.

13. Creation of joint venture with BP

On 27 July 2007, shareholders approved a 50:50 joint venture between D1 Oils Trading Limited and BP International Limited for the purpose of planting *Jatropha curcas* and selling jatropha oil.

The joint venture was established on 1 October 2007 through the creation of D1-BP Fuel Crops Limited, a company incorporated in England, in which D1 Oils Trading Limited and BP International Limited own equal shares.

Under the terms of the joint venture agreement, D1 has transferred its existing planting and overseas operations into D1-BP Fuel Crops Limited and has granted to BP International Limited options over 11,725,467 ordinary shares in D1 Oils plc which represents 16% of the issued share capital of the Company after exercise of the option in full. In consideration, BP International Limited has undertaken to fund the first £31.75 million of the joint venture's working capital requirements through an equity subscription. Thereafter, both parties will fund the expenditure within the joint venture on a pro rata basis. It is anticipated that the total funding requirement of the joint venture over the next five years will amount to approximately £80 million.

The options granted to BP International are detailed in note 28. Upon issue, it is intended that the option shares will be admitted to trading on AIM and will rank pari passu with all other ordinary shares

Exceptional item – deficit on transfer of operations to joint venture

	£000
Investment in D1-BP Fuel Crops Limited (50% share)	16,693.5
Share option recognised in equity	(12,787.0)
Net assets transferred to joint venture or impaired	(4,993.3)
Costs associated with transfer	(1,677.5)
Net deficit on transfer	(2,764.3)

14. Assets held for resale

The Company has been actively pursuing a disposal strategy for certain oil storage facilities located in Ghana. As at 31 December 2007 terms were agreed for their sale subject to certain conditions being met. The Directors have a reasonable expectation that these conditions will be met early in 2008 and that the disposal will realise net revenue in excess of the carrying value of £100,000. Disposal of the assets will be recognised when all conditions have been satisfied.

15. Inventories

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Raw material stock	**1,962.7**	3,023.3	**—**	—
Work in progress	**98.5**	—	**—**	—
Finished product	**159.1**	—	**—**	—
Total	**2,220.3**	3,023.3	**—**	—

16. Trade and other receivables

	Group 2007 £000	Group 2006 £000	**Company 2007 £000**	Company 2006 £000
Non-current				
Amounts owed by joint ventures	**—**	898.9	**—**	—
Amounts owed by Group undertakings	**—**	—	**—**	
Other debtors	**—**	50.0	**—**	—
	—	948.9	**—**	—
Current				
Trade receivables	**909.0**	547.8	**—**	—
Amounts owed by Group undertakings	**—**	—	**431.6**	33,152.7
Other receivables	**2,776.5**	—	**—**	—
Prepayments and accrued income	**432.6**	346.2	**26.1**	8.2
Taxation and social security	**0.6**	4.3	**—**	—
	4,118.7	898.3	**457.7**	33,160.9

16. Trade and other receivables continued

As at 31 December 2007, Group trade receivables at a nominal value of £16,300 were impaired and are fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually impaired £000	Collectively impaired £000	Total £000
At 1 January 2007	—	—	—
Charge for the year	16.3	—	16.3
At 31 December 2007	**16.3**	**—**	**16.3**

The Company had no impairment provisions at any time during 2007 or 2006.

As at 31 December 2007, the ageing of trade receivables is as follows:

Group

	Not yet due £000	Overdue <30 days £000	Overdue 31–60 days £000	Overdue >60 days £000	Total £000
Gross trade receivables as at 31 December 2007	829.1	77.0	—	19.2	925.3
Other receivables	—	2,776.5	—	—	2,776.5
Impairment	—	—	—	(16.3)	(16.3)
Net trade receivables as at 31 December 2007	**829.1**	**2,853.5**	**—**	**2.9**	**3,685.5**

Company

	Not yet due £000	Overdue <30 days £000	Overdue 31–60 days £000	Overdue >60 days £000	Total £000
Amounts owed by Group undertakings	71,321.7	—	—	—	71,321.7
Impairment of amounts owed by Group undertakings	(70,890.1)	—	—	—	(70,890.1)
Net trade receivables as at 31 December 2007	**431.6**	**—**	**—**	**—**	**431.6**

The Company has advanced funds to subsidiary companies to meet their working capital and capital expenditure funding requirements. Amounts owed by Group companies have no fixed repayment date. The Company has not made any calls on subsidiary companies to repay these amounts so they have been classified as not yet due. In view of the Board's intention to close the UK refining and trading operations at Middlesbrough and Bromborough, and in light of the transfer of overseas planting operations into the D1-BP Fuel Crops joint venture during the course of the year, amounts owed by Group undertakings have been impaired to their estimated realisable amount. The balance of amounts owed by Group undertakings of £431,600 represents the balance due from D1 Oils Plant Science Limited which forms an integral part of the Group's strategy and the Directors believe there is a reasonable expectation that this amount will be recoverable in full in the future.

The Group has no concerns over the credit quality of amounts which are overdue and not impaired. An amount of £2,119,000 included in other receivables represents amounts owed to the Group by D1-BP Fuel Crops Limited.

17. Other financial assets

	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Cash held as collateral against finance lease creditors	(a)	**2,317.3**	2,317.3	**—**	—
Cash held as collateral against swap transactions	(b)	**2,000.0**	—	**2,000.0**	—
Cash held as collateral against letter of credit transactions	(c)	**1,112.4**	—	**1,112.4**	—
Cash held as collateral against 3rd party guarantees	(d)	**250.0**	—	**250.0**	—
Other cash deposits	(e)	**5,000.0**	—	**5,000.0**	—
Accrued bank interest		**285.6**	—	**285.6**	—
Forward currency contracts	(f)	**56.3**	—	**56.3**	—
		11,021.6	2,317.3	**8,704.3**	—

(a) The Group has a deposit of £2,317,300 (2006: £2,317,300) charged to Allied Irish Bank as cash collateral for part of the finance lease creditor. The deposit earns interest at 5%.

(b) The Group has entered into swap transactions with its bank to hedge its exposure to fluctuating Ultra Low Sulphur Diesel (ULSD) prices. An amount of £2,000,000 (2006: £nil) has been deposited with the bank to act as security for any accrued trading losses. The bank holds a charge over these funds which are placed on deposit and earn interest at variable short-term deposit rates.

(c) During the year, the Group entered into transactions to buy raw materials which were paid for by means of documentary letters of credit. At 31 December 2007 the Group has a £3,000,000 facility (2006: £nil) with its bank to enter into documentary letters of credit transactions. The bank requires the Group to place on deposit as collateral an amount equal to the value of any open letters of credit, and, as at 31 December 2007, the Group had deposited amounts totaling £1,112,400 (2006: £nil). The bank holds a charge over these funds which are placed on deposit and earn interest at variable short-term deposit rates.

(d) During the year, the Group has entered into an agreement for the use of third party bulk storage facilities. Under the terms of the agreement, the Group's bank has provided a guarantee of £250,000 to the supplier. The guarantee expires on 30 September 2008. As at 31 December 2007, the Group has deposited an amount of £250,000 (2006: £nil) with its bank to act as collateral for the guarantee. The bank holds a charge over these funds which are placed on deposit and earn interest at variable short-term deposit rates.

(e) Other cash deposits represent funds placed on 12 month deposit with Bank of Scotland at an interest rate of 5.83%. The maturity date is 21 January 2008.

(f) Forward currency contracts represent the fair value of futures contracts to buy US dollars at fixed rates (note 29).

18. Cash and short-term deposits

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Cash at bank and in hand	**3,206.3**	2,261.8	**2,635.5**	1,764.8
Short-term deposits	**390.3**	46,804.5	**390.3**	46,804.5
	3,596.6	49,066.3	**3,025.8**	48,569.3

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest are varying short-term deposit rates. The fair value of Group cash and cash equivalents at 31 December 2007 is £3,596,600 (2006: £49,066,300).

19. Trade and other payables

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Current				
Trade payables	**1,782.1**	2,660.5	**194.8**	181.8
Taxation and social security	**585.3**	151.4	**182.2**	42.5
	2,367.4	2,811.9	**377.0**	224.3

20. Interest-bearing loans and borrowings

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Current				
Bank overdrafts	**—**	41.9	**—**	—
Current obligations under finance leases and hire purchase agreements	**432.9**	374.2	**—**	—
Mortgage payable	**60.0**	60.0	**—**	—
	492.9	476.1	**—**	—
Non-current				
Non-current obligations under finance leases and hire purchase agreements	**2,587.2**	2,983.6	**—**	—
Mortgage payable	**720.0**	780.0	**—**	—
	3,307.2	3,763.6	**—**	—

Group borrowings include a mortgage over the refinery site at Forty Foot Road, Middlesbrough, TS2 1HG. The mortgage is secured by a fixed and floating charge over the property and is repayable in 56 equal quarterly instalments commencing March 2007. Interest is charged at 1.75% over LIBOR.

21. Finance lease and hire purchase commitments

Group

	Minimum payments 2007 £000	Present value of payments 2007 £000	Minimum payments 2006 £000	Present value of payments 2006 £000
Within one year	**623.3**	**432.9**	617.1	374.2
After one year but not more than five years	**2,818.5**	**2,587.2**	3,400.4	2,983.6
Total minimum lease payments	**3,441.8**	**3,020.1**	4,017.5	3,357.8
Less amounts representing finance charges	**(421.7)**	**—**	(659.7)	—
	3,020.1	**3,020.1**	3,357.8	3,357.8

The Company did not have any finance leases in either 2007 or 2006.

In the light of the intended cessation of refining and trading operations, D1 is in discussions with Allied Irish Bank (the lessor under certain leases of refining equipment), with a view to terminating such leases in due course.

22. Other financial liabilities

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
ULSD swaps	**1,101.7**	—	**—**	—
Forward currency contracts	**33.6**	—	**33.6**	—
	1,135.3	—	**33.6**	—

The Group has entered in to Ultra Low Sulphur Diesel (ULSD) swaps to hedge its exposure to fluctuating commodity prices. The fair value of these contracts at 31 December 2007 was a liability of £1,101,700 (2006: £nil).

Forward currency contracts represent the fair value of futures contracts to buy US dollars at fixed rates (note 29).

23. Provisions

	Contractual commitments £000
Current	
At 1 January 2007	—
Movements in the year	3,000.0
At 31 December 2007	**3,000.0**

Provision has been made for the Directors' current best estimate of the cost of settling various contractual commitments which subsisted as at 31 December 2007. These commitments arise as a consequence of entering into the joint venture and the announced changes in strategic direction. This provision is expected to crystallise within 12 months.

24. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2007 are as follows:

	Group Land and buildings 2007 £000	**Group Plant and equipment 2007 £000**	Group Land and buildings 2006 £000	Group Plant and equipment 2006 £000
Within one year	**159.0**	**726.9**	—	—
After one year but not more than five years	**636.0**	**2,889.1**	—	—
After more than five years	**1,407.4**	**—**	—	—
	2,202.4	**3,616.0**	—	—

The Group entered into commercial leases on certain property and items of machinery. There are two property leases at Bromborough. Each lease runs until the year 2106 and each lease contains a break clause exercisable in 2021. The machinery leases have an average duration of between one and four years. There are no restrictions placed upon the lessee by entering into these leases.

	Company Land and buildings 2007 £000	Company Land and buildings 2006 £000
Within one year	**159.0**	—
After one year but not more than five years	**636.0**	—
After more than five years	**1,407.4**	—
	2,202.4	—

25. Authorised and issued share capital

	Group and Company 2007 No. of shares	Group and Company 2006 No. of shares	**Group and Company 2007 £000**	Group and Company 2006 £000
Authorised				
Ordinary shares of 1p each	**200,000,000**	100,000,000	**2,000.0**	1,000.0
Called up, allotted and fully paid				
At 1 January	**61,480,578**	31,225,517	**614.8**	312.3
Issued on exercise of share options	**681,521**	416,213	**6.8**	4.1
Issued under bonus share scheme	**79,120**	—	**0.8**	—
Issued on placing of new shares	**—**	29,838,848	**—**	298.4
At 31 December	**62,241,219**	61,480,578	**622.4**	614.8

The Company has one class of ordinary shares which carry no rights to fixed income. On 27 July 2007, the Company increased its authorised share capital from 100,000,000 ordinary shares of 1p each to 200,000,000 ordinary shares of 1p each.

25. Authorised and issued share capital continued

During the year 681,521 shares with a nominal value of £6,815.21 were allotted on the exercise of share options as follows:

	No. of shares	Average exercise price
Directors and related parties	156,250	£1.28
Former Directors	413,258	£1.57
Employees and former employees	112,023	£1.43
	681,521	**£1.48**

During the year, the Directors and other senior executives were given the option to take all or part of their 2006 bonus entitlement in the form of shares in the Company at a deemed issue price of £1.725. In total 79,120 shares were issued to directors and other senior executives as follows:

Name	No of shares
Elliott Michael Mannis	37,623
Stephen Peter Douty	5,772
Peter John Davidson	2,437
Richard Keith Gudgeon	2,924
Other senior executives	30,364
	79,120

On 28 December 2006, the Company completed the placing of 29,838,848 new ordinary shares. The Company received cash consideration of £49,234,100 for this placing prior to expenses of £3,005,200.

During the prior year 416,213 ordinary shares with a nominal value of £4,162.13 were allotted on the exercise of share options. On 2 February 2006 Philip Kenneth Wood exercised options over 78,125 ordinary shares at £1.28 per share and 150,000 ordinary shares at £1.60 per share. On 31 May 2006 he exercised options over a further 70,000 ordinary shares at £1.60 per share.

On 13 April 2006 Mark Lockhart Muir Quinn exercised options over 39,062 ordinary shares at £1.28.

26. Movements in equity

	Share capital £000	Share premium £000	Merger reserve £000	Own shares held £000	Profit and loss reserve £000	Currency translation reserve £000	Share option reserve £000	Total £000
Group								
At 1 January 2006	312.3	37,104.7	437.7	(484.0)	(10,679.4)	—	—	26,691.3
Total recognised income and expense	—	—	—	—	(12,627.6)	(591.6)	—	(13,219.2)
Share issues net of expenses	302.5	46,727.5	—	—	—	—	—	47,030.0
Share-based payments	—	—	—	—	1,135.0	—	—	1,135.0
At 31 December 2006	614.8	83,832.2	437.7	(484.0)	(22,172.0)	(591.6)	—	61,637.1
Total recognised income and expense	—	—	—	—	(46,136.2)	(90.1)	—	(46,226.3)
Issue of shares by the Company	7.6	1,137.1	—	—	—	—	—	1,144.7
Share-based payments	—	—	—	—	1,857.0	—	—	1,857.0
Issue of equity instruments	—	—	—	—	—	—	12,787.0	12,787.0
Adjustment to 2006 share issue costs	—	82.1	—	—	—	—	—	82.1
At 31 December 2007	**622.4**	**85,051.4**	**437.7**	**(484.0)**	**(66,451.2)**	**(681.7)**	**12,787.0**	**31,281.6**
Company								
At 1 January 2006	312.3	37,104.7	—	(484.0)	(1,780.0)	—	—	35,153.0
Total recognised income and expense	—	—	—	—	(2,774.4)	—	—	(2,774.4)
Share issues net of expenses	302.5	46,727.5	—	—	—	—	—	47,030.0
Share-based payments	—	—	—	—	1,135.0	—	—	1,135.0
At 31 December 2006	614.8	83,832.2	—	(484.0)	(3,419.4)	—	—	80,543.6
Total recognised income and expense	—	—	—	—	(72,266.7)	—	—	(72,266.7)
Issue of shares by the Company	7.6	1,137.1	—	—	—	—	—	1,144.7
Share-based payments	—	—	—	—	1,857.0	—	—	1,857.0
Issue of equity instruments	—	—	—	—	—	—	12,787.0	12,787.0
Adjustment to 2006 share issue costs	—	82.1	—	—	—	—	—	82.1
At 31 December 2007	**622.4**	**85,051.4**	**—**	**(484.0)**	**(73,829.1)**	**—**	**12,787.0**	**24,147.7**

26. Movements in equity continued

Share capital

Share capital represents the nominal value of shares issued by the Company.

Share premium

Share premium represents the premium over the nominal value raised on the issue of shares by the Company.

Own shares held

D1 Oils Employee Benefit Trust holds 193,645 shares in D1 Oils plc which were acquired at a total cost of £484,000. Shares held by the trust can be purchased by employees exercising options under the Group's option scheme. At 31 December 2007, the shares had a market value of £261,420.

Merger reserve

The merger reserve arose when the Company acquired 100% of the issued share capital of D1 Oils Trading Limited in consideration for ordinary shares in D1 Oils plc. The acquisition was accounted for under the rules of merger accounting as a group reorganisation with the share premium being adjusted through the merger reserve.

Share option reserve

The share option reserve arose on the granting of options to BP on the formation of the D1-BP Fuel Crops Limited joint venture (see note 28).

Reconciliation of movement in equity shareholders' funds – Group

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Loss for the year	**(46,136.2)**	(12,627.6)
Issue of shares by the Company (net of expenses)	**1,144.7**	47,030.0
Share-based payments – employee share options	**1,857.0**	1,135.0
Issue of equity instruments – options granted to BP	**12,787.0**	—
Currency translation difference	**(90.1)**	(591.6)
Adjustment to 2006 share issue costs	**82.1**	—
Net (decrease)/increase in equity shareholders' funds	**(30,355.5)**	34,945.8
Opening equity shareholders' funds	**61,637.1**	26,691.3
Closing equity shareholders' funds	**31,281.6**	61,637.1

Reconciliation of movement in equity shareholders' funds – Company

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Loss for the year	**(85,053.7)**	(2,774.4)
Issue of shares by the Company (net of expenses)	**1,144.7**	47,030.0
Share-based payments – employee share options	**1,857.0**	1,135.0
Issue of equity instruments – options granted to BP	**12,787.0**	—
Adjustment to 2006 share issue costs	**82.1**	—
Net (decrease)/increase in equity shareholders' funds	**(69,182.9)**	45,390.6
Opening equity shareholders' funds	**80,543.6**	35,153.0
Closing equity shareholders' funds	**11,360.7**	80,543.6

27. Related party disclosures and principal subsidiary undertakings

The Group has a 50:50 joint venture agreement with a joint venture partner, BP International Limited relating to D1-BP Fuel Crops Limited. Through this joint venture vehicle, the parties will plant, cultivate and harvest *Jatropha curcas*, and extract and trade jatropha oil. As part of the agreement, the Group provides certain technical support and agronomy services to the joint venture. During the year ended 31 December 2007, the Group supplied assets and services to the joint venture totaling £2,119,000 and the amount due to the Group as at 31 December 2007 was £2,119,000.

The Group had a 50:50 joint venture agreement with a joint venture partner, Mohan Breweries and Distilleries Limited, relating to D1 Oils Mohan Pty Limited. The agreement required Mohan Breweries to lead on planting of jatropha and for D1 Oils Trading Limited to lead on design and implementation of transesterification technology. During the year ended 31 December 2007, D1 Oils Trading Limited subscribed for new shares in D1 Oils Mohan Pty Limited for an amount totaling £189,463. In entering into the joint venture arrangement with BP International Limited (note 13), D1 Oils Trading Limited transferred its interest in D1 Oils Mohan Pty Limited to D1-BP Fuel Crops Limited on 1 October 2007.

The Group entered into a 50:50 joint venture agreement with a joint venture partner, Williamson Magor & Co Limited relating to D1 Williamson Magor Bio Fuel Limited. The joint venture was established to plant, cultivate and harvest *Jatropha curcas* and extract and trade jatropha oil. During the year ended 31 December 2007, D1 Oils Trading Limited subscribed for new shares in D1 Williamson Magor Bio Fuel Limited for amounts totaling £720,698. In entering into the joint venture arrangement with BP International (note 13), D1 Oils Trading Limited transferred its interest in D1 Williamson Magor Bio Fuel Limited to D1-BP Fuel Crops Limited on 1 October 2007.

Any related party transactions involving Directors are shown in note 6.

During the year to 31 December 2007, the Company provided net funding to subsidiary companies within the Group as follows:

	2007 £000	2006 £000
D1 Oils Trading Limited	**22,372.5**	15,253.2
D1 Oils Plant Science Limited	**431.6**	—
D1 (UK) Limited	**7,322.4**	5,828.0
D1 Oil Subsidiary Limited	**8,038.2**	683.2
Total	**38,164.7**	21,764.4

At 31 December 2007, net funding balances due to the Company from subsidiary undertakings were as follows:

	2007 £000	2006 £000
D1 Oils Trading Limited	**48,066.5**	25,693.0
D1 Oils Plant Science Limited	**431.6**	—
D1 (UK) Limited	**14,089.1**	6,766.7
D1 Oil Subsidiary Limited	**8,735.5**	697.3
Impairment	**(70,891.1)**	—
Total	**431.6**	33,157.0

The funding is repayable upon demand. With the exception of D1 Oils Plant Science Limited, the Company does not anticipate any repayments being made within one year and those balances have been fully impaired. The funding is not subject to any interest charge.

28. Share-based payments – Group and Company

All employees share option plan

Awards are made to staff at the discretion of the Board of Directors either on appointment, at salary review time, or any other time that the Directors deem appropriate. There are no specific performance criteria attached to the options.

Options granted vest 1/3 after 12 months with the remaining 2/3 vesting in equal monthly instalments over the next 24 months. Equity settlement is applied to all options, there is no cash alternative.

The expected life of the options has been assessed at 2.5 years for options which vest 1 year from grant and 4 years for options which vest after 1 year. The contractual life of the options is 10 years.

The fair value of the awards is calculated using the Black-Scholes model and subsequently adjusted for gain dependency, assessed at 15%, and forfeitures, assessed at 10% over the life of the award. A volatility adjustment considered appropriate for the sector and the age of the Group is included in the calculation. In forming the volatility assumption, the Directors have considered the volatility of the share price since the date of listing. The volatility of companies operating in the same sector has also been reviewed. Based on these factors, volatility has been assessed at 65% for awards granted before 1 March 2007 and 60% for awards granted thereafter. Appropriate risk free rates (as defined by the Bank of England) between 4.4% and 5.6% have been applied to individual awards and to the calculation. A zero dividend yield has been assumed.

The expenditure recognised in the income statement of the Group and the Company for share-based payments in respect of employee services received during the year to 31 December 2007 is £1,857,000 (2006: £1,135,000). This expense all relates to equity-settled, share-based payment transactions.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	2007 Number	**2007 WAEP**	2006 Number	2006 WAEP
Outstanding at 1 January	**3,452,517**	**2.12**	3,452,517	2.12
Granted during the year	**3,177,367**	**1.85**	1,514,799	2.47
Forfeited during the year	**(562,290)**	**2.66**	224,187	1.45
Exercised	**(681,521)**	**1.48**	415,311	1.60
Outstanding at 31 December	**5,386,073**	**1.99**	3,452,517	2.12
Exercisable at 31 December	**2,106,860**	**2.09**	1,615,180	1.75

The range of exercise prices for options outstanding at the end of the year was 128p – 290p. The weighted average remaining contractual life of the options in issue at 31 December 2007 is 8.6 years.

Option agreement with BP International Limited

During the year a joint venture was established with BP International Limited. As part of this agreement, options were granted to BP International Limited representing 16% of the issued share capital of the Company after exercise of the options. The options are exercisable at the following prices:

Options	Exercise price
2,931,367 ordinary shares	210p per share
2,931,367 ordinary shares	230p per share
2,931,367 ordinary shares	265p per share
2,931,366 ordinary shares	300p per share

These options may be exercised at any time between 1 October 2007 and 1 October 2010.

The fair value of the awards is calculated using the Binomial model. A volatility assumption of 60% is included in the calculation and considered appropriate for the sector and age of the Group. In forming the volatility assumption the Directors have considered the volatility of the share price over the two years to the date of grant. An appropriate risk free rate as defined by the Bank of England of 5.7% and a zero dividend yield are applied to the calculation.

The total fair value of these options for the Group and the Company is £12,787,000 and this is all recognised in equity in the year to 31 December 2007.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, these options during the year.

	2007 Number	**2007 WAEP**
Outstanding at 1 January	**—**	**—**
Granted during the year	**11,725,467**	**2.51**
Exercised	**—**	**—**
Outstanding at 31 December	**11,725,467**	**2.51**
Exercisable at 31 December	**11,725,467**	**2.51**

The weighted average fair value per option of options granted to BP International Limited during the year was 251.3p. The range of exercise prices for options outstanding at the end of the year was 210p – 300p. The weighted average remaining contractual life of the options in issue at 31 December 2007 is 2.8 years.

29. Financial risk management objectives and policies

The main risks arising from the Group's operations are interest rate risk, liquidity risk, foreign currency translation risk and certain commodity price risks.

Commodity risk

During the year, the Group hedged its exposure to fluctuating Ultra Low Sulphur Diesel (ULSD) prices by entering into a swap transaction. Up until 30 September 2007, the Directors considered this to be an effective cash flow hedge and a fair value adjustment of £1,100,600 has been recognised directly in equity and is shown in the statement of recognised income and expense. From 1 October, when the hedge was no longer considered effective, the fair value adjustment of £1,100,600 has been reversed out of equity and is shown as a transfer to the income statement in the statement of recognised income and expense. At 31 December 2007 the fair value of the swap was £1,101,700 (2006: £nil) which is disclosed under other financial liabilities (note 22).

The following table demonstrates the sensitivity of the Group's loss before tax and equity to a reasonably possible change in the price of ULSD with all other variables held constant, through the impact of variable ULSD prices.

	Increase/ decrease in ULSD rate	Effect on loss before tax £000	Effect on equity £000
2007	**+10%**	**(289.5)**	**(289.5)**
	-10%	**289.5**	**289.5**
2006	+10%	96.5	96.5
	-10%	(96.5)	(96.5)

Liquidity risk

The Group seeks to manage financial risk to ensure sufficient liquid funds are available to meet foreseeable needs while investing cash assets safely and profitably.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2007 and 2006 based on contractual undiscounted payments. Interest rates on variable rate loans are based on the rate prevailing at the balance sheet date.

Year ended 31 December 2007	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Interest bearing loans and borrowings	—	181.7	544.1	3,330.5	543.5	4,599.8
Trade and other payables	—	7,046.3	—	—	—	7,046.3
ULSD swaps	—	742.9	358.8	—	—	1,101.7
Foreign currency contracts	—	33.6	—	—	—	33.6
Total	**—**	**8,004.5**	**902.9**	**3,330.5**	**543.5**	**12,781.4**

Year ended 31 December 2006	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Interest bearing loans and borrowings	—	180.8	541.7	3,927.6	621.0	5,721.1
Trade and other payables	—	5,020.8	—	—	—	5,020.8
Total	—	5,201.6	541.7	3,927.6	621.0	10,741.9

Interest rate risk

The Group has one mortgage obligation, the terms of which include a floating interest rate of 1.75% above LIBOR. The capital outstanding at 31 December 2007 was £780,000 (2006: £840,000 at 1.75% above LIBOR).

The following table demonstrates the sensitivity of the Group's loss before tax and equity to a reasonably possible change in LIBOR rates, with all other variables held constant, through the impact of floating rate borrowings.

	Increase/ decrease in LIBOR rate	Effect on loss before tax £000	Effect on equity £000
2007	**+0.5%**	**(4.1)**	**(4.1)**
	-0.5%	**4.1**	**4.1**
2006	+0.5%	(4.2)	(4.2)
	-0.5%	4.2	4.2

29. Financial risk management objectives and policies continued

Foreign currency risk

An explanation of the Group's financial instrument risk is included in the Directors' report in the principal risks and uncertainties section.

A significant amount of the Group's raw material and other input costs is denominated in US Dollars and it has entered into a number of forward exchange contracts to buy dollars at a fixed price to mitigate the effect of fluctuating exchange rates. In assessing the fair value of forward exchange contracts at the year end, the Group and the Company have recognised financial assets of £56,300 (2006: nil) (note 17) and financial liabilities of £33,600 (2006: nil) (note 22).

The following table demonstrates the sensitivity of the Group's loss before tax and equity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant:

	Increase/ decrease in USD rate	Effect on loss before tax £000	Effect on equity £000
2007	**+5%**	**(84.0)**	**(84.0)**
	-5%	**92.8**	**92.8**
2006	+5%	89.6	89.6
	-5%	(99.0)	(99.0)

Managing capital

The Group aims to optimise its capital structure by holding an appropriate level of debt relative to equity in order to maximise shareholder value. The appropriate level of debt is set with reference to a number of factors and financial ratios including expected operating and capital expenditure cash flows, contingent liabilities and the level of restricted cash as well as the general economic environment. The Group aims to control its capital structure by issuing new shares and raising debt finance to the extent that it is possible on commercially acceptable terms. The economic conditions currently prevailing within the biofuels industry have restricted the Group's ability to raise debt finance and exert any significant degree of control over its gearing ratio. As a consequence, the Group is currently financed primarily from equity.
The Group monitors capital using a gearing ratio, being long-term liabilities divided by equity shareholder funds plus long-term liabilities.

	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Long-term liabilities		
Non-current obligations under finance leases	**2,587.2**	2,983.6
Non-current instalments due on mortgage	**720.0**	780.0
Total long-term liabilities	**3,307.2**	3,763.6
Equity	**27,685.0**	12,570.8
Total equity and long-term liabilities	**30,992.2**	16,334.4
Gearing ratio	**10.7%**	23.0%

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	Book value 2007 £000	**Fair value 2007 £000**	Book value 2006 £000	Fair value 2006 £000
Financial assets				
Cash and short-term deposits	**3,596.6**	**3,596.6**	49,066.3	49,066.3
Long-term deposits and cash collateral	**10,679.7**	**10,679.7**	2,317.3	2,317.3
Forward currency contracts	**56.3**	**56.3**	—	—
Financial liabilities				
Interest bearing loans and borrowings	**760.0**	**760.0**	852.8	852.8
Finance lease and hire purchase agreements	**3,020.1**	**3,292.0**	3,345.0	3,697.4
Derivative financial instruments	**1,101.7**	**1,101.7**	—	—
Forward currency contracts	**33.6**	**33.6**	—	—

30. Reconciliation of net assets, profit and cash flow under UK GAAP to IFRS

The Group has applied IFRS 1 "First Time Adoption of International Financial Reporting Standards", to provide a starting point for reporting under IFRS. The Group's date of transition to IFRS is 1 January 2006 and all comparative information in the financial statements is restated to reflect the Group's adoption of IFRS, except where otherwise required or permitted under IFRS 1.

The following is a summary of the key reconciling items:

IFRS 3 – Business combinations

The Group has taken the option under the transitional arrangements not to apply IFRS 3 "Business Combinations" retrospectively to acquisitions that occurred prior 31 December 2005.

IFRS 3 does not permit the annual amortisation of goodwill, but does require an annual impairment review of carrying values. Under UK GAAP goodwill was amortised over the anticipated useful economic life of the business acquired. Goodwill amortisation of £3,500 has been reversed in the year to 31 December 2006.

IFRS 5 – Assets held for disposal

IFRS 5 requires that any assets held for sale should be separately classified on the balance sheet and any non-current assets classified as being held for sale should not be depreciated from the date they meet the criteria to be recognised as held for sale. As at 31 December 2006 £100,000 of assets have been disclosed as held for resale relating to some assets held in Ghana. There was no impact on reported profits.

IAS 38 – Intangible Assets

Under IAS 16 some items of software which do not meet the criteria of fixed assets have been reclassified as intangible assets. The adjustment was £55,000 at 31 December 2006.

IAS 1 – Presentation of financial statements

IAS 1 requires the split between current and non-current assets and liabilities on the face of the balance sheet.

First time adoption (IFRS 1)

In accordance with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Group is subject to a number of voluntary and mandatory exemptions from full restatement to the requirements of IFRS, which have been applied as follows:

- IAS 32 "Financial Instruments: Disclosure and Presentation", and IAS 39 "Financial Instruments: Recognition and Measurement" were adopted with effect from 1 January 2006;
- The Group has not applied IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before 1 January 2006; and
- IFRS 2 "Share-based Payments" has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2007.

IAS 7 – Cash flow statements

IAS 7 "Cash flow statements" defines cash as money an entity holds and money deposited with financial institutions that can be withdrawn without notice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The "short-term" characteristic of a cash equivalent is generally taken as a maturity of three months from the date of acquisition. The balance sheet has been adjusted to reclassify amounts held on deposit with maturity periods greater than three months and restricted cash of £2,317,000 at 31 December 2006 as other financial assets.

IAS 19 – Employee benefits

IAS 19 "Employee Benefits" requires that holiday accrued by employees, but not taken at the balance sheet date must be provided for. There is no impact at 31 December, as the Group's holiday year is coterminous with its financial year.

IAS 16 Property, plant and equipment

IAS 16 requires maintenance spares, previously recorded as stock, to be recognised as non-current assets where the entity expects to use these spares in more than one period or if the spare parts can be used only in connection with an item of property, plant or equipment. The balance sheet has been adjusted to reflect this reclassification with £41,900 reclassified from inventories to fixed assets as at 31 December 2006 together with £2,400 of depreciation in the year to 31 December 2006.

IAS 41 Biological assets

IAS 41 "Biological Assets" requires certain assets, previously recognised as property, plant and equipment to be reclassified as biological assets. The balance sheet as at 31 December 2006 has been adjusted to reflect a reclassification of £74,500.

Reconciliation of Group net assets

	31 December 2006 £000	1 January 2006 £000
Total net assets as reported under UK GAAP	61,636.0	26,691.3
Depreciation of capital spares	(2.4)	—
Reverse amortisation of goodwill	3.5	—
Total net assets as restated under IFRS	**61,637.1**	**26,691.3**

30. Reconciliation of net assets, profit and cash flow under UK GAAP to IFRS continued

Reconciliation of Group reported profit

	2006 £000
Profit after tax as reported under UK GAAP	(12,628.7)
Depreciation of capital spares	(2.4)
Reverse amortisation of goodwill	3.5
Profit after tax as restated under IFRS	**(12,627.6)**

There were no material differences to the net assets or the reported profit of the Company.

Restatement of cash flow statement from UK GAAP to IFRS

The transition from UK GAAP to IFRS has no effect upon the reported cash flows generated by the Group. The IFRS cash flow statement is presented in a different format from that required under UK GAAP with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated. In preparing the cash flow statement under IFRS, cash and cash equivalents include cash at bank and in hand, highly liquid interest bearing securities with original maturities of three months or less, and bank overdrafts. Under UK GAAP highly liquid interest bearing securities were not classified as cash equivalents.

31. Contingent assets

During the course of construction of the D1 20 and D1 30 transesterification units, one of the Group's subsidiary companies was supplied with components which subsequently proved to be out of specification. This resulted in commissioning delays and in the Company incurring rework costs. Discussions with the supplier are ongoing. The Directors have a reasonable expectation that compensation terms will be agreed within the next 12 months although the amount is still uncertain. The income will be recognised when negotiations have been concluded.

32. Contingent liabilities

(a) Nandan Biomatrix Limited

Between 10 August 2004 and 26 November 2004, D1 entered into a number of agreements in India with Nandan Biomatrix Limited, an Indian plant science company, for the supply and development of jatropha seeds. On 17 June 2005, Nandan submitted a claim to D1 for Rs. 80,796,029, (approximately £1.0m) alleging that D1 was in breach of these agreements and that a termination agreement (extinguishing Nandan's claims) is a forgery. D1 considers these claims groundless. On 10 August 2005, Nandan attempted to refer the dispute to arbitration, but failed on procedural grounds. Nandan have attempted this again and their application to appoint an arbitrator is currently before the Indian courts. On 25 March 2008, Nandan obtained a "freezing" injunction in the Indian courts against the incorrectly named "D1 Oils Limited". Having taken Indian legal advice, D1 does not consider the injunction to be of any effect, although steps are being taken to dissolve it on substantive grounds.

(b) D1-BP Fuel Crops Limited

D1 has entered into discussions with D1-BP Fuel Crops and BP as to whether or not there was a planting shortfall as at 31 July 2007 for the purposes of the relevant provisions of the joint venture agreement. A provision has been made in relation to this matter and the Directors' current assessment is that there will be no further financial obligation arising in this regard and they expect to reach a satisfactory agreement with their joint venture partner.

33. Capital commitments

At the end of the year capital commitments were:

	2007 **£000**	2006 £000
Contracted but not provided for in the accounts	**1,967.7**	2,700.0

34. Post balance sheet events

(a) Cessation of refining and trading activities at Middlesbrough and Bromborough

D1 announced on 7 March 2008 that a consultation process had commenced with employees at both the Middlesbrough and Bromborough sites. It is the intention of the Group to cease its refining and trading operations and consultations as to the future of the sites will include their potential closure and sale. As a result, certain contractual commitments which have become onerous are to be renegotiated or terminated and certain restructuring costs will be incurred.

(b) Placing of ordinary shares

Subject to shareholder approval, the Company has announced a proposed placing of 64,384,000 ordinary shares at 25p per share to raise additional capital of £14.9m, net of expenses of £1.2m.

Notice of annual general meeting

D1 Oils plc
(the "Company")

Notice is hereby given that the Annual General Meeting of the members of the Company will be held at the offices of Dresdner Kleinwort Limited at 30 Gresham Street, London EC2P 2XY on 21 May 2008 at 11.00 a.m. to transact the following business:

Ordinary business

1. To receive the annual accounts of the Company for the financial year ended 31 December 2007 together with the Directors' report for that financial year and the auditors' report on those accounts.

2. To re-appoint Ernst & Young LLP as auditors of the Company from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid before the shareholders in accordance with the provisions of the Companies Act 2006 and to authorise the Directors to fix the auditors' remuneration.

3. To re-appoint as a Director of the Company, Clive Neil Morton, who retires under Article 89 of the Company's Articles of Association.

4. To re-appoint as a Director of the Company, John Barclay Forrest, who retires under Article 89 of the Company's Articles of Association.

5. To re-appoint as a Director of the Company, Christopher John Leaver, who was appointed since the last annual general meeting and retires under Article 94 of the Company's Articles of Association.

6. To re-appoint as a Director of the Company, Christopher Tawney, who was appointed since the last annual general meeting and retires under Article 94 of the Company's Articles of Association.

7. To re-appoint as a Director of the Company, Moira Elizabeth Black, who was appointed since the last annual general meeting and retires under Article 94 of the Company's Articles of Association.

Special business

To consider and, if thought fit, pass the following resolutions of which resolutions 8 and 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

Ordinary resolutions

8. THAT, in accordance with section 366 of the Companies Act 2006, the Company and its subsidiaries are hereby authorised to:

   8.1 make political donations to political organisations or independent election candidates, as defined in sections 363 and 364 of the Companies Act 2006, not exceeding £30,000 in total; and

   8.2 incur political expenditure, as defined in section 365 of the 2006 Act, not exceeding £30,000 in total, during the period commencing on the date of this resolution and ending on 30 June 2009 or, if sooner, the conclusion of the next annual general meeting of the Company.

9. THAT, in substitution for all existing authorities under that section save for that contained in paragraph (c) of the special resolution of the Company passed on 27 July 2007, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985 (the "Act"), to exercise all powers of the Company to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of £461,168.95 (46,116,895 Ordinary Shares) save that the Directors shall not exercise this authority in respect of an aggregate nominal amount which exceeds £v:

   where £v (rounding down to the nearest £1)

   $$= 1/3 \times \frac{(62,241,219 + w + x)}{100}$$

   where w = the number of Ordinary Shares that have been issued pursuant to the Option Agreement (as defined in the circular of the Company dated 3 July 2007) from time to time; and

   where x = the number of Placing Shares that have been issued pursuant to and as defined in the circular of the Company dated 9 April 2008,

   provided that this authority will expire 15 months after the date on which this resolution is passed or the expiration of the period from the date this resolution is passed to the date that the next annual general meeting of the Company is concluded (whichever occurs first), but the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after this authority expires and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred by this resolution had not expired.

Special resolutions

10. THAT, subject to and conditional upon the passing of resolution 9, the Directors be and they are hereby given power, in substitution for all existing authorities under that section save for that contained in paragraph (e) of the special resolution of the Company passed on 27 July 2007, in accordance with section 95 of the Act to allot equity securities for cash (within the meaning of section 94 of the Act) pursuant to the authority conferred by resolution 9 above as if section 89(1) of the Act did not apply to the allotment provided that such power shall be limited to:

    10.1 the allotment of equity securities in connection with an offer of equity securities open for acceptance for a period fixed by the Directors to holders of equity securities on the register of members of the Company on a date fixed by the Directors in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with:

10.1.1 fractional entitlements; or

10.1.2 directions from any holders of shares to deal in some other manner with their respective entitlements; or

10.1.3 legal or practical problems arising in any overseas territory; or

10.1.4 the requirements of any regulatory body or stock exchange; and

10.2 the allotment (otherwise pursuant to sub-paragraph 10.1 above) of equity securities up to an aggregate nominal amount of £69,175.34 (6,917,534 Ordinary Shares) save that the Directors shall not exercise this authority in respect of an aggregate total amount which exceeds £x:

where £x (rounding down to the nearest £1)

$$= 5/100 \times \frac{(62{,}241{,}219 + y + z)}{100}$$

where y = the number of Ordinary Shares that have been issued pursuant to the Option Agreement (as defined in the circular of the Company dated 3 July 2007) from time to time; and

where z = the number of Placing Shares that have been issued pursuant to and as defined in the circular of the Company dated 9 April 2008,

and the power hereby conferred shall expire 15 months after the date of passing of this resolution or on the expiration of the period from the date this resolution is passed to the date that the next annual general meeting of the Company is concluded (whichever first occurs) but may be previously revoked or varied by special resolution and so that the Company may before such expiry make an offer or agreement which will or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

11. THAT, with immediate effect, the Articles of Association of the Company produced to the Meeting and for the purposes of identification marked "A" and signed by the Chairman of the Meeting, be adopted in substitution for and to the exclusion of the existing Articles of Association of the Company.

By Order of the Board

Melford Deane
Company Secretary
Forty Foot Road
Middlesbrough
TS2 1HG
28 April 2008

Notes

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and vote instead of him. The proxy need not be a member of the Company.

2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the Company's registrars, Capita Registrars, Proxy Dept., PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting. You may also deliver the same by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

3. The following documents will be available for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the meeting and at the venue of the meeting for at least 30 minutes prior to and at the meeting:

   (a) copies of all Directors' service contracts;

   (b) the current Memorandum and Articles of Association of the Company; and

   (c) the new Articles of Association incorporating the changes proposed by Resolution 11.

4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at 11 a.m. on 19 May 2008 shall be entitled to attend and vote at the Annual General Meeting or, if the meeting is adjourned, 11 a.m. on the date being two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after 11 a.m. on the relevant date shall be disregarded in determining the right of any person to attend or vote at the meeting.

Notice of annual general meeting

D1 Oils plc

(the "Company")

Explanatory notes

Resolution 8 – Authority to make donations to political organisations and to incur political expenditure

Part 14 of the Companies Act 2006, amongst other things, prohibits the Company and its subsidiaries from making donations to an EU political party or other EU political organisation or to an independent election candidate in the EU of more than £5,000 in any 12 month period unless they have been authorised to make donations by the Company's shareholders.

The 2006 Act defines 'political organisations', 'political donations' and 'political expenditure' widely. It includes organisations which carry on activities which are capable of being reasonably regarded as intended to affect public support for a political party or an independent election candidate in any EU Member State or to influence voters in relation to any referendum in any EU Member State. As a result, it is possible that the definition may include bodies, such as those concerned with policy review and law reform, which the Company and/or its subsidiaries may see benefit in supporting. For example, the Company may support organisations involved in the development and promotion of renewable energy or biofuels policy which may be caught by the definitions within the Act.

Accordingly, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the 2006 Act through the undertaking of routine activities, which would not normally be considered to result in the making of political donations and political expenditure being incurred.

Resolution 11 – Amendments to Articles of Association

A number of provisions of the Companies Act 2006 came into force on 1 October 2007 and 22 January 2008. It is proposed to adopt new Articles of Association (the "New Articles") with effect from the date of the Annual General Meeting to update the current Articles of Association (the " Current Articles") to reflect these changes to English company law.

The principal changes to the Articles of Association are set out below. Changes which are of a minor, technical or consequential nature are not highlighted here and the attention of shareholders is drawn to the New Articles (marked 'A') to be produced to the Meeting. A copy of the New Articles is available for inspection as noted on page 61 of this document.

1. Approach to the Companies Act 2006

The Current Articles have been generally conformed to reflect provisions contained in the Companies Act 2006. Certain examples of such provisions including provisions as to the use of proxies and the appointment of corporate representatives are detailed below. However, there will be new provisions of the Companies Act 2006 which will apply to the Company whether or not such provisions are specifically incorporated in the Articles.

2. Form of resolutions

The concept of extraordinary resolutions is no longer used and is not referred to in the Companies Act 2006. References to extraordinary resolutions are replaced in the New Articles with references to special resolutions.

The Current Articles allow shareholders to act by written resolution. Under the 2006 Act, there is no longer a statutory procedure whereby public companies can pass written resolutions. Accordingly these provisions have been removed in the New Articles. Shareholders should note, however, that there remains the common law principle of unanimous agreement which they may seek to rely on.

3. Directors' retirement age

It is no longer permissible to oblige the retirement of Directors on reaching a specified age. The reference in the Current Articles to the automatic retirement of Directors on reaching 70 years old, has been removed in the New Articles.

4. Proxies

The receipt of proxies under the Current Articles is required not less than 48 hours before the time of the meeting. The New Articles reflect the Companies Act 2006 and exclude from this period weekends, Christmas Day, Good Friday and bank holidays. Furthermore a proxy is now entitled to vote on a show of hands at a general meeting and not only on a poll vote. The power of shareholders to appoint multiple proxies (in respect of different shares) is also included in the New Articles.

6. Corporate representatives

The Companies Act 2006 specifically allows for the appointment of multiple corporate representatives by corporate shareholders. However, section 323 of the Companies Act 2006 provides that where such corporate representatives vote differently, the power to vote is treated as not having been exercised, even if there is a majority of corporate representatives in favour. The New Articles reflect this provision in the Companies Act 2006, but in contemplating use of this entitlement shareholders are asked to consider whether the appointment of multiple proxies (where this section 323 does not apply) may be a more convenient means of exercising their voting rights to avoid any inadvertent and unintended non-exercise of voting rights.

7. Conflicts of interest

From 1 October 2008, under the Companies Act 2006 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director also becomes a director of another company or a trustee of another organisation.

The Companies Act 2006 allows Directors to authorise conflicts and potential conflicts, where appropriate, if the company's articles of association contain a provision to this effect. The Companies Act 2006 also permits the articles of association to contain other provisions relating to the authorisation of conflicts of interest in order to avoid Directors breaching their duty. The New Articles give authority for Directors to approve such situations and include other provisions to allow conflicts to be dealt with in a similar way to the position under the law as it stands at the moment.

There are safeguards that will apply when Directors decide whether to authorise a conflict or potential conflict. Only Directors who have no interest in the matter being considered will be able to take the relevant decision and, in taking the decision, the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation, if they think this is appropriate.

It is proposed also to include provisions relating to confidential information, attendance at board meetings and availability of board papers. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

8. Electronic and web communications

Provisions of the Companies 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles reflect this power. In order to communicate with a shareholder in this way, the Company is required to obtain the shareholder's consent to do so. The Company may in due course consider whether or not to request the consent of shareholders in this regard.

9. Directors indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of the Company to indemnify its Directors. In particular the Company can now, inter alia, indemnify a director of a company that is a trustee of an occupational pension scheme, against liability incurred in connection with the company's actions as a trustee of that scheme. It is proposed that this is reflected in the New Articles of Association. The opportunity is also being taken to clarify that, subject to the Companies Act 2006, the Company may grant indemnities to the directors of associated companies.

10. Future changes

Due to phased implementation of the Companies Act 2006, it is likely that further changes to the Articles of Association will be proposed at future general meetings to reflect and incorporate provisions of the Companies Act 2006 which are yet to come into force.

11. Recommendation

Your Directors consider that all the resolutions in this Notice are in the best interests of the Company and its shareholders as a whole and we recommend that you vote in favour of them. The Directors intend to do so in respect of their own beneficial holdings.

Form of proxy

D1 Oils plc

I/We (block capitals) ....

of..

being a member(s) of the above named Company hereby appoint the Chairman of the Meeting or (notes 1 and 5)

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Dresdner Kleinwort Limited, 30 Gresham Street, London EC2P 2XY on 21 May 2008 at 11.00 a.m., and at any adjournment thereof.

I/we direct my/our proxy to vote as indicated by an X in the appropriate column (note 2)

Ordinary business Resolution	For	Against
1. Ordinary resolution – to adopt the Annual Report and Accounts.		
2. Ordinary resolution – to re-appoint Ernst Young LLP as auditors and to authorise the Directors to fix their remuneration.		
3. Ordinary resolution – to re-appoint Clive Neil Morton as a Director.		
4. Ordinary resolution – to re-appoint John Barclay Forrest as a Director.		
5. Ordinary resolution – to re-appoint Christopher John Leaver as a Director.		
6. Ordinary resolution – to re-appoint Christopher Tawney as a Director.		
7. Ordinary resolution – to re-appoint Moira Elizabeth Black as a Director.		
Special business Resolution	For	Against
8. Ordinary resolution – to approve certain political donations and expenditure.		
9. Ordinary resolution – to authorise the Directors to allot securities.		
10. Special Resolution – to give the Directors power to allot securities without making a pre-emptive offer to shareholders.		
11. Special Resolution – to adopt new Articles of Association.		

Date 2008

....

....

Signature(s) and/or common seal (notes 3 and 4)

Notes

1. A proxy need not be a member of the Company. Completion and return of this form of proxy does not preclude a member from subsequently attending and voting at the meeting. If you wish to appoint a proxy other than the Chairman of the Meeting, please cross out the words "the Chairman of the Meeting or" and write the full name and address of your proxy in the space provided. The change should be initialled.
2. If you do not indicate how you wish your proxy to vote on the specified resolutions or on any other matters (including any amendments to the resolutions), the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars helpline on 0871 664 0300 (calls cost 10p per minute) or (from overseas) +44 208 639 3399 or you may photocopy this form. Please mark (and initial) each proxy form clearly with the number of Ordinary Shares held by you in relation to which each proxy is appointed.
3. This form must be signed and dated by the shareholder or his/her attorney duly authorised in writing. In the case of a corporation this form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a duly certified copy of such authority) must be deposited at the Company's registrars, Capita Registrars, Proxy Dept., PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting. You may also deliver by hand to The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated. The vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the votes of the other holders. For this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
6. Any alteration to this form must be initialled.

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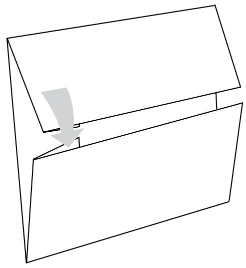

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