Living Fuels Limited

Report and Financial Statements

Eleven months ended 30 June 2008

Registered number 5531573

Registered No: 5946946

Directors
A Whalley
D Crockford
I Collins
R Murphy

Secretary
D Crockford

Auditors
Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Bankers
Bank of Scotland
155 Bishopsgate Exchange
London
EC2M 3YB

Registered Office
2 Station View
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Directors' report

For the eleven months ended 30 June 2008

The directors present their report and financial statements for the eleven months ended 30 June 2008.

Results and dividends

The loss for the period, after taxation, amounted to £457,676 (31 July 2007, loss of £92,227).

Principal activity and review of the business

The principal activity of the company in the year under review was the collection and recycling of used cooking oil.

Directors

The directors during the period were as follows:

Mr A N Whalley	(appointed 2 June 2008)
Mr D E Crockford	(appointed 2 June 2008)
Mr B V Woodman	(appointed 26 September 2007, resigned 1 December 2008)
Mr A K Venni	(resigned 19 December 2008)

In addition Mr R Murphy was appointed on 11 August 2008 and Mr I Collins was appointed on 1 December 2008.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Directors' statement as to disclosure of information to auditors

The directors who are members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

- each director has taken steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report

For the eleven months ended 30 June 2008

Auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

By order of the Board

David Crockford
Director

21 July 2009

Independent auditors' report

to the members of Living Fuels Limited

We have audited the company's financial statements for the period ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein. The company's financial statements for the year ended 31 July 2007 are unaudited.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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. However the evidence available to us was limited because we did not observe the counting of the physical stock having a carrying amount of £15,000 as at 31 July 2007, since that date was prior to our appointment as auditor of the company. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding stock quantities as at 31 July 2007 by using other audit procedures.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Living Fuels Limited (continued)

Qualified opinion arising from limitation in audit scope

Except for the financial effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical stock quantities as at 31 July 2007, in our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the companies affairs as at 30 June 2008 and of its loss for the period then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985;

In respect solely of the limitation on our work relating to the opening balances for stock:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and

- we were unable to determine whether proper accounting records had been maintained.

In our opinion, the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Bristol
22 July 2009

Profit and loss account

For the period ended 30 June 2008

	Notes	Eleven months ended 30 June 2008	Year ended 31 July 2007
		£	£
Turnover		115,430	101,726
Cost of sales		(99,465)	(36,825)
Gross profit		15,965	64,901
Administrative expenses		(460,594)	(148,878)
Operating loss	2	(444,629)	(83,977)
Interest receivable		-	79
Interest payable and similar charges		(13,047)	(8,329)
Loss on ordinary activities before taxation		(457,676)	(92,227)
Tax on loss profit on ordinary activities	5	-	-
Loss on ordinary activities after taxation		(457,676)	(92,227)

All items in the above statement derive from continuing operations.

Statement of recognised gains and losses

There are no recognised gains or losses other than the losses attributable to shareholders of the company as set out above.

Balance sheet

As at 30 June 2008

	Notes	30 June 2008 £	31 July 2007 £
Fixed assets			
Tangible assets	6	72,145	37,423
Current assets			
Stock		61,619	15,000
Debtors	7	47,957	71,673
Cash at bank and in hand		13,189	-
		122,765	86,673
Creditors: amounts falling due within one year	8	(767,199)	(161,159)
Net current liabilities		(644,434)	(74,486)
Total assets less current liabilities		(572,289)	(37,063)
Creditors: amounts falling due after more than one year	9	(5,389)	(82,939)
		(577,678)	(120,002)
Called up share capital	11	100	100
Profit and loss account	12	(577,778)	(120,102)
Shareholder's deficit		(577,678)	(120,002)

These financial statements were approved and authorised for issue by the Board on 21 July 2009 and signed on its behalf by

David Crockford
Director

Notes to the financial statements

For the eleven months ended 30 June 2008

1. Accounting policies

Fundamental accounting concept

The company is currently in a development stage and is therefore reliant on the on-going support of its ultimate parent undertaking, Renewable Energy Generation Limited. The directors have received confirmation from its parent that support will be in place for at least 12 months from the date of approval of these accounts.

The Renewable Energy Generation Limited group has a group wide credit facility for £20 million providing ongoing liquidity to the group and secured on the assets of the group, which is due for renewal on 30 June 2010. As at the date of approval of these accounts £1.2 million of the facility was unutilised.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the level of its current facility. The group has opened discussions with its bankers to restructure the credit facility into a longer term debt facility as an alternative to a renewal but has at this stage not sought any written commitment that the facility will be renewed or restructured. No matters have been drawn to its attention to suggest that renewal or restructuring may not be forthcoming on acceptable terms.

After making enquiries, the directors have a reasonable expectation that the credit facility will be renewed or replaced with alternative financing before 30 June 2010, thus providing the group and the company with adequate resources to continue in operation for the foreseeable future.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Accounting convention

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

Cash flow statement

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

Turnover

Turnover represents the value of recycled oils sold during the year, excluding value added tax, in the UK.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue form the sale of goods is recognised when significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets at the following rates in order to write off each asset over its estimated useful life.

Plant and machinery	-	5 to 10 years
Motor vehicles	-	4 years
Other equipment	-	4 years

Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes to the financial statements

For the eleven months ended 30 June 2008

1. Accounting policies (continued)

Leases and hire purchase commitments

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to 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 the minimum lease payments. Lease payments are apportioned between the 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. The interest element of the rental obligations are charged to the profit and loss account over the period of the leases.

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.

Deferred taxation

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

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

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Notes to the financial statements

For the eleven months ended 30 June 2008

2. Operating loss

The operating loss is stated after charging:

	Eleven months ended 30 June 2008	Year ended 31 July 2007
	£	£
Depreciation of owned fixed assets	6,539	3,420
Depreciation of assets held under hire purchase agreements	3,466	3,480
Loss on disposal of fixed assets	-	439
Operating lease costs	12,000	14,500

3. Directors emoluments

	£	£
Directors emoluments and other benefits etc	45,000	-

4. Staff costs

Staff costs in respect of employees were:	£	£
Wages and salaries	125,013	76,348
Social security costs	21,542	8,011
	146,555	84,359

Average number of employees (excluding directors) during the period was:	No.	No.
Administration	1	-
Production	4	2
Management	3	1
	8	3

Notes to the financial statements

For the eleven months ended 30 June 2008

5. Taxation

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	Eleven months ended 30 June 2008 £	Year ended 31 July 2007 £
Current tax - UK corporation tax (note 3(b))	-	-

(b) Factors affecting current tax charge

UK corporation tax has been charged at 29.5%.

The current taxation charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Eleven months ended 30 June 2008 £	Year ended 31 July 2007 £
Loss on ordinary activities before taxation	(457,676)	(92,227)
Theoretical tax at UK corporation tax rate of 29.5% (2007: 30%)	(135,014)	(27,668)
Effects of:		
-Expenses not deductible for tax purposes	-	7,202
- Losses carried forward	135,014	20,466
Actual current tax charge	-	-

(c) Factors affecting future tax charge

The Company has an unrecognised deferred tax asset of £171,953 (2007: £36,939). The asset arises from trading losses and is recoverable against future profits of the same trade. A deferred tax asset has not been recognised in respect of these assets as the company is still in a development stage.

Notes to the financial statements

For the eleven months ended 30 June 2008

6. Tangible fixed assets

	Plant and machinery	Motor Vehicles	Other equipment	Total
	£	£	£	£
Cost				
At 1 August 2007	29,099	17,050	636	46,785
Additions	38,506	10,300	500	49,306
Disposals	(4,950)	-	-	(4,950)
At 30 June 2008	62,655	27,350	1,136	91,141
Depreciation				
At 1 August 2007	4,662	4,610	90	9,362
Provided during the period	5,853	3,923	229	10,005
Disposals	(371)	-	-	(371)
At 30 June 2008	10,144	8,533	319	18,996
Net book value				
At 30 June 2008	52,511	18,817	817	72,145
At 31 July 2007	24,437	12,440	546	37,423

The net book value of motor vehicles above include an amount of £17,275 (2007 - £10,441) in respect of assets held under finance leases.

7. Debtors

	30 June 2008	31 July 2007
	£	£
Trade debtors	1,088	28,172
Amounts owed by group undertakings	20,124	-
Other debtors	26,533	40,167
Prepayments and accrued income	212	3,334
	47,957	71,673

Notes to the financial statements

For the eleven months ended 30 June 2008

8. Creditors: amounts falling due within one year

	30 June 2008	31 July 2007
	£	£
Bank loans and overdrafts	-	58,191
Trade creditors	77,373	17,634
Amounts owed to other group companies	672,958	-
Other creditors	-	6,567
Directors current account	-	51,221
Other taxation and social security	-	22,350
Obligations under finance leases and hire purchase contracts (note 10)	6,237	5,196
Accruals	10,631	-
	767,199	161,159

9. Creditors: amounts falling due after more than one year

	30 June 2008	31 July 2007
	£	£
Bank loans	-	81,193
Obligations under finance leases and hire purchase contracts (note 10)	5,389	1,746
	5,389	82,939

10. Obligations under leases and hire purchases contracts

Amounts due under finance leases and hire purchase contracts

	30 June 2008	31 July 2007
Borrowings are repayable as follows:	£	£
Finance leases		
Within one year	6,237	5,196
Between two and five years	5,389	1,746
	11,626	6,942

The company has annual commitments under non-cancellable operating leases as follows:

	30 June 2008	31 July 2007
	£	£
Operating lease which expire:		
- in two and five years	12,000	12,000

Notes to the financial statements

For the eleven months ended 30 June 2008

11. Share capital

	30 June 2008	31 July 2007
	£	£
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

12. Reconciliation of shareholders' deficit and movement on reserves

	Share capital	Profit & loss account	Total
	£	£	£
At 31 July 2006	100	(27,875)	(27,775)
Loss for the period	-	(92,227)	(92,227)
At 31 July 2007	100	(120,102)	(120,002)
Loss for the period	-	(457,676)	(457,676)
At 30 June 2008	100	(577,778)	(577,678)

13. Related party disclosures

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

14. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Renewable Energy Generation Limited, a company incorporated in Guernsey.

The immediate parent company is REG Bio-Power UK Limited.