

Biofuels Corporation plc

("Biofuels" or "the Company")

Preliminary results for the year ended 31 March 2007

Biofuels, which operates the largest biodiesel plant in the UK and one of the largest in Europe, announces results for the year ended 31 March 2007. A separate announcement giving details of a proposed restructuring and related matters is also being made today.

KEY POINTS

- Total of 101,410 tonnes of biodiesel produced and sold during the year
- Plant remediation plan in progress
- Revenues for the year of £51.0 million (2006: £1.9 million)
- Deterioration of market conditions during second half of the year
- Since November 2006, production limited to contracts providing acceptable margins
- Loss before taxation of £32.0 million (2006: £74.4 million)
- Total borrowings at 31 March 2007 of £97.1 million
- Restructuring agreed with Barclays Bank, subject to shareholder approval

Mike Buzzacott, Chairman, comments:

"Biofuels Corporation is the largest producer of biodiesel in the UK and our plant is close to becoming fully effective. The Board is still of the view that the Renewable Transport Fuel Obligation in the UK and other government programmes for mandated use of biofuels across Europe should underpin longer term demand for biodiesel. However, the commercial future of the business remains uncertain and so sources of future funding must be identified in order to allow the company to survive whilst its markets develop.

"The proposed debt for equity swap will, if approved, give the business the opportunity to obtain the funds it needs to go forward."

26 June 2007

ENQUIRIES:

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BIOFUELS CORPORATION PLC

Chairman's Statement

The year to 31 March 2007 has been a challenging year for the Company but an important milestone has been achieved in that the Company has produced and sold 101,410 tonnes of biodiesel in the year.

The Company has continued to have difficulties with the plant and its design. Whilst biodiesel production has gone well, the processing of all of its intermediate products has been problematic. As announced previously, a plant remediation programme has been put in place to rectify this with completion being targeted for September 2007. When this programme is complete the plant is expected to be able to operate at close to nameplate capacity and simultaneously process all of its co-products. Not all biodiesel plants are able to reprocess their co-products and this capability is designed to provide financial benefits for the business and more general environmental benefits. The company is actively pursuing a potential claim in respect of design deficiencies against the plant providers, Energea.

Up until September 2006 biodiesel margins were relatively strong and underpinned future business plans. However, recent market conditions have also been very difficult for the Company. The combination of higher vegetable oil prices and lower biodiesel prices have together meant that the Company has been unable to make profit from the production of biodiesel. In particular the price of European biodiesel has been depressed by US biodiesel that benefits from both European market support mechanisms and US production subsidies. This situation has been exacerbated by a high \$/£ exchange rate. The situation is having an impact on European biodiesel producers in general.

As reported in the announcement dated 13 March 2007, the board maintained a policy of limiting production, by only taking on contracts that provided acceptable margins. This policy has proved effective in containing losses, and effective cash management has allowed the Company and its subsidiaries (the "Group") to trade within its banking facilities.

Results

Revenue for 2007 was £51.0 million (2006: £1.9 million). The loss before exceptional items and financing costs was £10.1 million (2006: £9.3 million). Pre tax losses include exceptional items of £12.0 million (of which £6.8 million relates to an asset impairment charge made necessary by the financial position of the Group) (2006: £53.7 million) and interest charges of £10.0 million (2006: £11.7 million). The Group is reporting a pre-tax loss of £32.0 million (2006: £74.4 million).

Financing and Proposed Debt for Equity Swap

The Group's debt was £97.1 million at 31st March 2007. Whilst the Group has contained its losses it has required substantial additional funds to continue trading, deliver its capital expenditure programmes and to service its debt and considers that it is likely to require substantial further funds during the next 12 months. Since the year end the Group has secured £7.0 million additional "on demand" overdraft facilities but believes that this will only be adequate to cover its interim needs. Included within the accounts is a statement that, in the absence of sufficient funds to cover the needs of the business over the next 12 months, the future of the business is materially uncertain.

With high debt levels and in the absence of profitability the Group has been dependent upon its bankers, Barclays Bank plc, to provide adequate funds to continue to trade. Whilst Barclays has supported and continues to support the Group, it has indicated as conditions of its continued support that the level of secured debt must be reduced and that it must receive a significant equity stake in Biofuels Corporation Trading Limited. Barclays has made proposals to the Company in this regard. The Directors have negotiated these proposals and have included them in a circular issued to shareholders. The proposals will be voted upon by shareholders at an Extraordinary General Meeting of the Company on 23 July 2007.

BIOFUELS CORPORATION PLC

Chairman's statement *(continued)*

The effect of these proposals, if approved by the shareholders of the Company, will be to transfer ownership of 94% of the equity in Biofuels Corporation Trading Limited, the Group's principal subsidiary, to Barclays. These shares will be paid up by application of £40 million of the existing debt owed to Barclays. Furthermore the Company will become a private limited company and its shares will no longer be traded upon AIM. In exchange, Barclays will release the Company from its obligations to repay the £97.1 million of debt and will provide sufficient funds to pay its creditors at the date at which the proposed transaction is concluded.

As part of the Restructuring, the Company's executive directors, Sean Sutcliffe, Andy Leeser and Richard Nickels, will have their existing terms of engagement transferred to Biofuels Corporation Trading Limited, the principal operating business. Clare Spottiswoode will, upon completion of the Restructuring, cease to be a Director of the Company and will no longer be involved with the business in any way. Mike Buzzacott and Geoff Brady will remain as Directors of the Company and Paul Elliott will become a Director of the Company, which will change its name to Earls Nook Limited.

The Board has undertaken a thorough review of the Group's options, including seeking purchasers of the Company, but the Board has concluded that, given the existing financial structure, neither a trade sale nor an equity fundraising is possible taking into account the economic interests of the various stakeholders in the Company. If Shareholders vote against these proposals, an insolvency process will be unavoidable and in such circumstances, given the level of existing debt, Shareholders will receive no value.

Board and Staff

This year has been a difficult one for the Group and its staff. Notwithstanding the situation described above, the plant has become operational and will become fully effective during the calendar year 2007. This has been both a complex technical and commercial challenge. The progress achieved to date has been the result of the hard work, skill and dedication of all the Group's employees. I would thank them for all they have done.

Outlook

Biofuels Corporation is the largest producer of biodiesel in the UK and our plant is close to becoming fully effective. The Board is still of the view that the Renewable Transport Fuel Obligation in the UK and other government programmes for mandated use of Biofuels across Europe should underpin longer term demand for biodiesel. However, the Board considers that there are few immediate indications that the oil industry is gearing itself up for implementation of the Renewable Transport Fuel Obligation in the UK and that its real impact on the Group, therefore, remains uncertain. Taken together with subsidised US imports, the commercial future of the business remains uncertain and so sources of future funding must be identified in order to allow the Company to survive whilst its markets develop.

The proposed debt for equity swap will, if approved, give the business the opportunity to obtain the funds it needs to go forward.

MIKE BUZZACOTT
Chairman

26 June 2007

BIOFUELS CORPORATION PLC**Consolidated income statement for the year ended 31 March 2007**

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Revenue	51,009	1,915
Cost of sales	<u>(54,646)</u>	<u>(1,972)</u>
Gross loss	(3,637)	(57)
Commodity hedge costs	-	(44,839)
Impairment loss on biodiesel plant	(6,514)	-
Impairment loss on other fixed assets	(257)	-
Plant start up and delay costs	(3,489)	(2,187)
Contractor payments	(389)	(3,882)
Other exceptional items	(1,362)	(2,818)
Other administrative expenses	(6,494)	(9,248)
Administrative expenses	(18,505)	(62,974)
Loss from operations	(22,142)	(63,031)
Finance income	143	330
Bank arrangement fees	(3,215)	(8,745)
Other finance costs	(6,834)	(2,975)
Finance costs	(10,049)	(11,720)
Loss before taxation	(32,048)	(74,421)
Tax expense	22	5
Loss for the year	(32,026)	(74,416)
Attributable to:		
- Equity holders of the parent	(32,026)	(74,416)
Losses per share		
- Basic and diluted	(65.3p)	(166.4p)

BIOFUELS CORPORATION PLC**Consolidated balance sheet at 31 March 2007**

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Assets		
Non-current assets		
Property, plant and equipment	34,354	42,331
Current assets		
Inventories	3,693	6,146
Trade and other receivables	1,452	1,686
Cash and cash equivalents	630	739
	5,775	8,571
Total assets	40,129	50,902
Capital and reserves attributable to equity shareholders of the company		
Share capital	495	451
Share premium reserve	51,817	44,431
Other reserve	842	842
Retained earnings	(115,278)	(83,838)
Total equity	(62,124)	(38,114)
Liabilities		
Current liabilities		
Term loan	79,794	77,900
Bank overdraft	17,330	2,862
Trade and other payables	5,129	8,239
Provisions	-	15
Total liabilities	102,253	89,016
Total equity and liabilities	40,129	50,902

BIOFUELS CORPORATION PLC

Consolidated cash flow statement for the year ended 31 March 2007

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Operating activities		
Loss before taxation	(32,048)	(74,421)
Adjustments for:		
Depreciation	2,987	36
Amortisation of deferred grant income	(82)	-
Impairment losses	6,771	-
Finance income	(143)	(330)
Finance costs	10,049	11,720
Loss on sale of assets	1	1
Share option charge	586	1,473
Commodity and other hedge contracts	-	37,900
Operating loss before changes in working capital and provisions	(11,879)	(25,094)
Change in inventories	2,453	(6,146)
Change in trade and other receivables	251	(639)
Change in liquid resources: cash held as guarantees	104	(726)
Change in trade and other payables	(858)	(2,907)
Cash generated from operations	(9,929)	(34,039)
Taxation received / (paid)	5	(27)
Interest received	143	330
Interest paid	(8,988)	(310)
Bank arrangement fees	(2,275)	(220)
Cash flows from operating activities	(21,044)	(34,266)
Investing activities		
Purchase of property, plant and equipment	(3,257)	(27,757)
Cash proceeds from sale of assets	4	-
Financing activities		
Issue of ordinary shares	7,430	30,904
Proceeds from bank borrowings	1,894	31,475
Grant income	500	750
	9,824	63,129
(Decrease)/increase in cash and cash equivalents for cash flow purposes	(14,473)	1,106
Cash and cash equivalents for cash flow purposes brought forward	(2,849)	(3,955)
Cash and cash equivalents for cash flow purposes carried forward	(17,322)	(2,849)

BIOFUELS CORPORATION PLC

Consolidated statement of changes in equity for the year ended 31 March 2007

	Share Capital	Share Premium	Other Reserves	Cash flow Hedge Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2005	308	13,670	842	(39,567)	(10,895)	(35,642)
Shares issued	143	30,761	-	-	-	30,904
Loss for the period	-	-	-	-	(74,416)	(74,416)
Cash flow hedges recycled to income statement	-	-	-	39,567	-	39,567
Total recognised gains and losses	-	-	-	39,567	(74,416)	(34,849)
Employee share option transfer to reserve	-	-	-	-	1,473	1,473
Balance at 31 March 2006	<u>451</u>	<u>44,431</u>	<u>842</u>	<u>-</u>	<u>(83,838)</u>	<u>(38,114)</u>
Shares issued	44	7,386	-	-	-	7,430
Loss for the period	-	-	-	-	(32,026)	(32,026)
Change in the fair value of the cash flow hedge	-	-	-	803	-	803
Cash flow hedges recycled to income statement	-	-	-	(803)	-	(803)
Total recognised losses	-	-	-	-	(32,026)	(32,026)
Employee share option transfer to reserve	-	-	-	-	586	586
Balance at 31 March 2007	<u><u>495</u></u>	<u><u>51,817</u></u>	<u><u>842</u></u>	<u><u>-</u></u>	<u><u>(115,278)</u></u>	<u><u>(62,124)</u></u>

NOTES

1 Accounting policies

Basis of preparation

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

The results incorporated in the preliminary announcement have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

The financial statements have been prepared under the historical cost convention modified by the revaluation of derivative instruments held at fair value.

Going concern

The Directors have considered the likely cash requirements of the Group over the next 12 months and believe that the current level of facilities, which are provided on an on-demand basis and extend only until December 2007, are highly unlikely to meet these requirements. These facilities total £106.1 million and were agreed with Barclays on 31 May 2007. At the same time Barclays Bank plc has agreed to defer the payment of interest due to them on borrowings since 1 January 2007 until 31 December 2007.

The Directors recognize that the Group has only been able to continue trading as a result of the support of Barclays Bank plc, which has provided funding facilities to the Group since flotation. Whilst Barclays continues to support the Group, it has indicated as conditions of its continued support that the level of secured debt must be reduced and that it must receive a significant equity stake in Biofuels Corporation Trading Limited. Barclays has made proposals to the Group in this regard and, having negotiated these proposals, the Directors have included them in a circular to be issued to shareholders dated 26 June 2007. The Directors believe that the Company will become subject to an insolvency procedure if shareholders do not vote in favour of the resolutions contained within that circular. Should shareholders vote in favour of these resolutions, the Directors are hopeful that additional funding will be provided by Barclays Bank plc in the future provided that the plant remediation plan referred to in the Chairman's statement above can be completed successfully.

In preparing financial forecasts to estimate the likely cash requirements of the Group over the next 12 months, the Group has had to make certain assumptions with regard to the price of vegetable oils, the price of biodiesel and several other key factors. Each of these factors has a significant impact upon the financial forecasts. The Directors note that the actual prices of these items are highly volatile and are driven by markets over which the Group has no control. The Directors have attempted to take a balanced and prudent view in preparing these forecasts, however their accuracy is uncertain.

Despite these uncertainties, the Directors believe that shareholders have good reason to vote in favour of the debt/equity swap and have a high level of confidence that the remediation plan will be successful, which, in turn the Directors believe will give the bank and the new shareholders in Biofuels Corporation Trading Limited a strong commercial incentive to provide the additional working capital facilities that will be required. For these reasons, the Directors have prepared the financial statements on a going concern basis.

2 *Loss for the period*

This is arrived at after charging:

a) **Exceptional items**

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Commodity hedge costs	-	44,839
Professional fees connected to refinancing	960	1,986
Contractor payments	389	3,882
Plant start up and delay costs	3,489	2,187
Impairment loss on biodiesel plant	6,514	-
Impairment loss on other fixed assets	257	-
Plant 2 FEED costs	402	-
Forward exchange contracts	-	436
Interest rate swap closure costs	-	396
	12,011	53,726

Commodity hedge costs

By December 2005, it became clear that deliveries would not be made against a sales contract which accounted for the majority of the notional value of the commodity hedging instrument. In addition, other forecast sales to be made at variable market prices which, at the end of the previous accounting period, had been anticipated to account for, at least, the remainder of the notional value of the commodity hedging instrument for which recognition of changes in the value of that instrument had been deferred had, during the final months of 2005, either been taken out as, or modified to being forecast as, fixed price contracts. These two developments meant that the commodity hedging instrument, which was designed to eliminate the risk of changes in purchase and sales prices arising from changes in market prices, was rendered ineffective. In consequence and since the commodity hedging instrument was settled in full in December 2005 as part of an agreement for new banking facilities, the whole of the remaining deferred loss on the commodity hedging instrument was charged to the income statement.

The Group did not enter into any further derivative contracts during the remainder of the financial year and did not hold any derivative contracts at 31 March 2007.

Professional fees

The professional fees relate to costs incurred with the raising of additional working capital facilities and refinancing the business.

Contractor Payments

The Group has made additional payments to sub-contractors on behalf of the main contractor for the provision of the first plant. The Group considers that these amounts are unlikely to be recovered in the short to medium term and therefore a provision has been made against these further sums.

Plant start up and delay costs

Plant start up and delay costs consists primary of additional storage costs to store intermediate by-products, additional maintenance remedial activity on the biodiesel plant and associated commissioning costs of the plant.

2 Loss for the period (continued)

Impairment loss

The recoverable amount of the assets is its fair value less costs to sell obtained by reference to external market valuations of the business. Therefore, the difference between this value and the carry forward net book value of the assets prior to impairment, has been charged to the income statement in accordance with IAS 36 'Impairment of assets'.

Plant 2 FEED costs

The Group has made payments in connection with front end engineering design costs for capacity expansion.

Forward exchange contracts

In July 2006 a sizeable proportion of future sales to December 2006 denominated in Euros were not matched by equivalent expenditures in the same currency. Therefore, the Group entered into a forward exchange contract to convert Euros into US dollars which was required to meet certain costs (predominantly vegetable oils). After 30 September 2006 it became clear that the foreign exchange exposure of the business had changed to a significant extent and future expected currency flows no longer matched the notional value of the hedging instrument. The remaining components of the forward exchange contract were therefore cancelled. The Group made a small gain on the cancellation.

b) Other administrative expenses

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Depreciation	72	36
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the financial statements	14	14
Audit of the financial statements of the company's subsidiary pursuant to legislation	21	11
Other services pursuant to legislation (being interim review costs)	51	13
Other services relating to taxation	6	43
All other services (being grant claims)	-	2
Hire of plant and machinery – operating leases	16	8
Hire of other assets – operating leases	51	57
Engineering spares write-off	568	-
Foreign exchange gain	(73)	(270)
Share option charge	586	1,473

3 EARNINGS PER SHARE

The losses per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 49,037,461 (31 March 2006: 44,734,260). There are 3,858,799 (2006: 3,505,760) potentially issuable shares that have not been included in the diluted EPS as they are antidilutive. The earnings, being the losses after tax are £32,026,000 (31 March 2006: loss £74,416,000).

4 SECTION 240

The announcement set out above does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 for the year ended 31 March 2007 or for the year ended 31 March 2006, but are derived from those accounts. Statutory accounts for the year ended 31 March 2006 have been delivered to the Registrar of Companies.

The auditors have reported on the 2007 and 2006 accounts; their reports were unqualified but included references to matters to which the auditors drew attention by way of emphasis, without qualifying their reports, in respect of uncertainties over the Group's ability to continue as a going concern. The reports did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The accounts have yet to be delivered to the Registrar of Companies. The annual report and accounts will be posted to shareholders shortly and will also be available on the Company's website, www.biofuelscorp.com. The Annual General Meeting of the Company to consider these accounts will be held on 23rd July 2007.