Biofutures International plc

# Annual Report and Accounts 2009

Biofutures

*Biofutures is an Investing Company.*
*Its strategy is to invest in or acquire projects in the energy and utility sectors and their related infrastructures.*

# Contents

# Chairman's Statement

*After having obtained shareholders' approval in June 2008 to become an investing company, 2009 was a year of many challenges for the Company. The original objective of building a biodiesel plant had to be revised into a more economically viable alternative utilizing, where possible, the equipment and land purchased earlier. A refinery licence was applied for and obtained by the Company's wholly-owned subsidiary, Zurex Corporation Sdn. Bhd. ("Zurex"), and the Board took immediate measures to seek the approval of the relevant authorities in Malaysia to carry out the construction of a palm oil refining plant ("Refinery") on the Group's land in Lahad Datu, Sabah, Malaysia.*

The pace of implementation for the construction of the Refinery was dictated by the speed with which the building and the environmental management plans could be obtained. Once these approvals were obtained, tenders were called for the construction of the Refinery building. In February 2009, the Company announced that Zurex had awarded a contract to WS Bioengineering Pte. Ltd. ("WS Bio") for the construction of the Refinery building at a cost of RM30.2 million (*£6.04 million). In December 2009, the Company announced that Zurex had awarded a contract at a fixed value of RM7.28 million (£1.46 million) to WS Bio to supply a complete physical refining system capable of refining crude palm oil into refined bleached and deodorized palm oil.

Concurrently with the construction of the Refinery, the Company proceeded actively to seek financing for the Refinery project and for working capital requirements. Obtaining lending from the various financial institutions in Malaysia proved to be a difficult task against the backdrop of the economic challenges that the entire global community was facing in early 2009. With business confidence at its lowest for many years, the banks in Malaysia, like many around the world, adopted a 'wait and see' attitude as they had become very risk adverse, even though they were less exposed than their counterparts in America and Europe.

After strenuous effort, the Company announced in December 2009 that Zurex had secured a loan facility of RM47 million (£9.40 million) from Bank Kerjasama Rakyat Malaysia Bhd., based on Islamic principles, of which RM28.8 million (£5.76 million) is for capital expenditure for the construction of the Refinery building and purchase of equipment for the process system. The balance of RM18.2 million (£3.64 million) is to be used as working capital.

The Company announced in June 2009 that Zurex had issued a Notice of Arbitration to JJ-Lurgi Engineering Sdn. Bhd. ("JJ-Lurgi") in respect of the contract for the supply of equipment for the production of biodiesel entered into in January 2007. The matter has been referred to the Regional Centre for Arbitration, Kuala Lumpur. Zurex is claiming RM9.89 million (£1.98 million) against JJ-Lurgi and JJ-Lurgi has a counter claim of RM2.87 million (£0.57 million) against Zurex under the arbitration proceedings. The entire Board is being kept fully appraised of developments and the matter is being given the full attention that it merits. The arbitration hearing has been set for 23 to 26 August 2010. Pending final resolution of the matter, no further write-down of the costs incurred under this contract has been made and no potential asset recovery has been recognized.

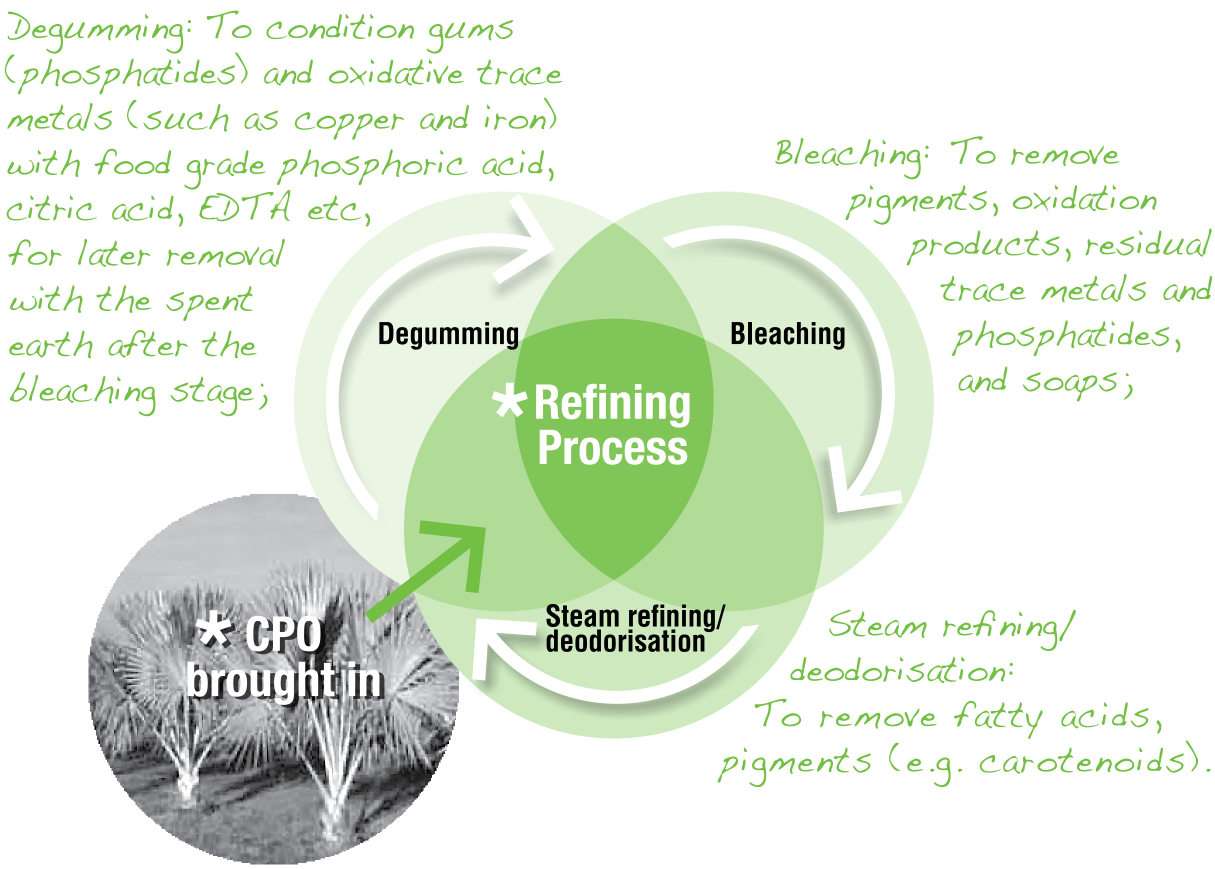
Barring any unforeseen circumstances, the Refinery is now expected to be in production by 30 September 2010. In the countdown to production, the Company will be seeking to make strategic alliances and commercial tie-ups with palm oil suppliers/traders and off-takers for its product to maximize returns and minimize risks.

Exciting and challenging times lie ahead for the Company.

**David Yeoh**
Executive Chairman

* An exchange rate of £1 = RM5 is used for all conversions in the Chairman's Statement

# Palm Oil Production and Uses




There are two types of palm oil that come from the oil-palm species Elaeis Guineensis. One type comes from inside the nut or kernel at the centre of the fruit and the other from the flesh or mesocarp, which surrounds the kernel.

The bulk of the volume of palm oil comes from the flesh. This oil is orangey-red and contains a higher concentration of natural carotenoids. This oil is called crude palm oil ("CPO").

The oil that comes from the nut or kernel is called crude palm kernel oil ("Crude PKO"), and is lower in colour as it does not contain the carotenoids found in CPO.

The oils are extracted from the fruit at a palm oil mill. The crude oils need to be processed further to remove impurities which have an adverse affect on the stability and nutritional value of the oil. The purification takes place at a palm oil refinery.

Malaysia has historically been the largest producer and refiner of palm oil. The Refinery will be equipped with "state of the art" refining plant.

## Refining Processes

In order to increase the flavour and oxidative stability, and to improve the nutritional properties of CPO and Crude PKO, it is necessary to treat the oil by a series of processes that are collectively known as refining. The fully-refined palm oil is often referred to as refined, bleached and deodorized palm oil or, more commonly, RBD palm oil.

The first stage of the processing, the 'degumming stage', is primarily to remove the gums and pro-oxidative trace metals.

Historically, the next stage of the process involves neutralization of the free fatty acids, utilizing caustic soda to remove the free fatty acids in the form of soaps. This process is known as caustic refining and represents the 'R' in the term 'RBD'.

The next stage utilizes bleaching earth to remove certain pigments, oxidation products, residual soaps, and traces of gums and heavy metals. This is called the bleaching stage, and represents the 'B' in 'RBD'.

The final stage is the vacuum deodorization at elevated temperatures, to further reduce the pigments but, more importantly, to remove odourous oxidation products, which would otherwise adversely affect the odour, flavour and rate at which the oil would turn rancid. This deodorization stage represents the 'D' in 'RBD'.

In the past three decades the chemical refining process has gradually been superseded by the more cost-effective and more environmentally-friendly physical refining process.

The term 'physical refining' indicates that chemicals have not been used to remove the fatty acids. In physical refining, the process of caustic refining, with its soap waste streams, is eliminated and the vacuum deodorization is replaced by a higher temperature steam stripping and deodorization process that enables free fatty acids and other impurities to be removed physically and without the use of caustic soda.

Although caustic soda is no longer utilized in physical refining, the term RBD is still used to describe the fully-refined palm oil.

# Palm Oil Production and Uses (continued)

RBD palm oil is an off-white solid in cold climates, a yellowish semi-solid at (equatorial) ambient temperatures and a yellowish liquid when heated to about 45°C.

RBD palm oil may be fractionated into its liquid component, which is called palm olein, and its solid component, which is called palm stearin.

Crude PKO is processed separately to CPO, and generally under milder conditions, due to the difference in nature of the oils. Fully-refined PKO is a liquid of low colour and is similar in many respects to fully-refined coconut oil.

## Uses of Palm Oils and their Fractions

RBD palm oil and its fractions, palm olein and palm stearin, have many uses.

The high stability of RBD palm oil as compared with soft oils such as soya and canola, makes palm oil the preferred oil for many industrial-frying operations.

Palm olein is a very popular liquid oil for domestic-frying applications and in the export markets it is often blended with other oils such as canola to improve their stability/shelf-life and to minimize smoke formation during high-temperature frying applications. Red palm olein is very high in the natural carotenes present in palm oil and is a functional food in that the carotenoids are pro-vitamin A, a vitamin which is essential for good eyesight. Red palm oil is a premium low-volume product.

Palm stearin is used in high-temperature industrial-frying applications such as in the production of instant noodles. Palm stearin is increasingly desirable as it is free of the harmful trans-fatty acids and is used as a more healthy replacement for hydrogenated oils, such as soya, canola and sunflower, to produce more nutritionally acceptable margarines and bakery fats. Palm stearin is also used in the manufacture of non-dairy creamers and ice creams. Non-edible applications of palm stearin include the manufacture of vegetable based soaps and candles.

## Palm Oils Market

Palm oil is the largest internationally-traded vegetable oil and, as a commodity, is traded in both the physical and futures markets. Bursa Malaysian Derivatives is the largest futures market for CPO, followed by the Chicago Board of Trade and the Joint Asian Derivatives Exchange of Singapore. Currently, China, India, the EU and Pakistan are the major buyers of RBD palm oil from Malaysia.

# Business Review

## Palm oil refinery build

*The Company's wholly-owned subsidiary, Zurex Corporation Sdn. Bhd. ("Zurex") remains focused on building a palm oil refining plant (the "Refinery") on its 14 acre site in Lahad Datu, Sabah, Malaysia.*

*Following a detailed tender process, Zurex entered into a contract with WS Bio Engineering Pte. Ltd. ("WS Bio") in February 2009 to construct the infrastructure for a palm-oil refinery for RM30.2 million (*£6.04 million).*

During the month of December 2009, Zurex awarded a further contract to WS Bio to fabricate and install a physical refining system which will be capable of refining 200,000 metric tonnes per annum of crude palm oil into fully-refined palm oil.

The physical refining system contract is valued at RM7.28 million (£1.46 million) making the total costs of the Refinery to be between RM38 million (£7.60 million) and RM40 million (£8.0 million) compared to the estimated costs of more than RM120 million (£24 million) to build a biodiesel plant of similar capacity.

Piling works on the site commenced in July 2009, and work is progressing well on the construction of the plant building and fabrication of the physical refining system.

### Our site

Zurex's site is situated within Phase 1 of the Palm Oil Industrial Cluster ("POIC") in Lahad Datu, Sabah, Malaysia.

POIC's management is developing the Lahad Datu area as part of a federal and local government long-term initiative which commenced in 2005 to ensure Malaysia retains the downstream economic value derived from its palm oil crop. Phase 1 was the development of a 500 acre site, of which Zurex owns 14 acres for its refinery project.

Lahad Datu has been designated by the Malaysian government as the country's third port of delivery for palm oil futures and is currently the centre of the palm oil industry in Sabah, on the island of Borneo. Sabah currently accounts for 30 per cent of Malaysia's total palm oil production.

Zurex's 14 acre site is adjacent to a designated oleo-chemicals handling deep water port, bordered by more than 100 palm oil mills, and is home to companies which produce more than 5 million tonnes of palm and palm kernel oil per annum.

POIC's remit is to develop the Lahad Datu site and the neighbouring infrastructure to ensure the establishment and long-term growth of Lahad Datu as the principal palm oil industrial cluster within the ASEAN region.

### Cornerstone laying ceremony

The laying of the cornerstone took place on 25 December 2009. The ceremony was conducted in accordance with traditional ritual by the scattering of corn, the sprinkling of wine and the pouring of oil upon the cornerstone. This event, on Christmas Day, was immortalized in stone on behalf of all the Directors and Shareholders of Biofutures International Plc.

### Funding

Zurex obtained a loan facility of RM47 million (£9.4 million) from Bank Kerjasama Rakyat Malaysia Bhd., a licensed bank in Malaysia, to partially fund the plant build and to provide working capital. The loan consists of RM28.8 million (£5.76 million) for capital expenditure and RM18.2 million (£3.64 million) for working capital. Zurex has partially drawn down on the loan for capital expenditure purposes.

The Company announced in December 2009 that the Refinery would not be operational until 30 September 2010. This delay was principally due to the time taken to negotiate the necessary bank financing against the backdrop of a challenging global economic environment.

### Arbitration

On 24 June 2009, Zurex issued a Notice of Arbitration to JJ-Lurgi Engineering Sdn. Bhd. to settle the dispute between them in relation to the contract to supply components for Zurex's proposed biodiesel plant in Lahad Datu, Sabah, Malaysia.

The Regional Centre for Arbitration, Kuala Lumpur, Malaysia has set the date for the hearing from 23 to 26 August 2010.

* An exchange rate of £1 = RM5 is used for all conversions in the Business Review

# Financial Review

## Overview

The Group has commenced building the Refinery during the year as discussed in the Chairman's Statement. The Group has continued to control its costs against the significant fall in interest which it received on its bank deposits. The loss for the year was £0.65 million (2008: £0.29 million loss).

### Administrative expenses and interest income

Administrative expenses were in line with the previous year at £0.73 million (2008: £0.71 million). Interest income fell from £0.43 million in 2008 to £0.08 million in the current year due mainly to the fall in global interest rates and a reduction in cash on deposit as a result of the capital expenditure incurred on the Refinery.

### Cash resources

Available cash and cash equivalents at the yearend were £4.76 million (2008: £7.81 million).

The key features in the cash flows were property, plant and capitalised project costs paid in the year totalling £3.08 million (2008: £0.13 million). In addition, interest of £0.08 million (2008: £0.43 million) was received and loans to the Group were obtained which totalled £0.32 million (2008: nil).

### Bank financing

In December the Group entered into a bank facility arrangement with Bank Kerjasama Rakyat Malaysia Bhd., a licensed bank in Malaysia, for the aggregate sum of up to RM47 million (£9.4 million at £1=RM5) consisting of two (2) tranches, of which RM28.8 million is for capital expenditure and RM18.2 million for working capital. The borrowings have been made under Islamic banking principles and include an asset sale agreement and an asset purchase agreement. Zurex has placed RM20 million on deposit with Bank Kerjasama Rakyat Malaysia Bhd. as security for the lending of monies. A legal charge and debenture have been given to the Bank together with a corporate guarantee from Biofutures. The effective rate of interest is set at 1.5% over the Bank's funding rate subject to a cap at 9.95%. At the year end, RM1.75 million (£0.32 million at the year end rate of £1=RM5.5) had been drawn down on this facility.

### Goodwill

Goodwill represents the fair value attributed to the knowledge of the Malaysian nationals required to hold the operational licence for the biodiesel plant in Malaysia, acquired with Zurex. Although the biodiesel plant will not be built at this point in time, an additional licence has been obtained which will permit refining and sale of palm oil. The building of the Refinery has commenced and on this basis no impairment is currently considered necessary.

### Intangibles

The intangible assets are included at their fair value and have been grouped together. They relate to the purchase of the Lahad Datu land, the licence to manufacture palm oil biodiesel and the linked refinery licence subsequently obtained. This group of assets could not be separated as they were considered to be all intrinsically linked. On the basis that the building of the Refinery has commenced, no write-down is currently required.

### Contingencies

In June 2009, the Company issued a Notice of Arbitration to JJ-Lurgi. This relates to the dispute between the Company and JJ-Lurgi in connection with the contract between them dated 26 January 2007 for the supply of components for the construction of a 200,000 tonnes per annum palm oil biodiesel plant. The original contract was for RM38.4 million of which RM11.5 million had been paid (£7.68 million and £2.30 million respectively at an exchange rate of £1 = RM5). The Company, supported by legal advice, has taken the view that the contract had been terminated. The ultimate outcome of the arbitration between the Company and JJ Lurgi cannot be determined presently for inclusion within these accounts, but the Directors are of the opinion that the Company will be able to support its case successfully and accordingly, no contingent liability nor any contingent asset has been recognised (2008 – nil).

### International Financial Reporting Standards

The results for the Group for the year ended 31 December 2009 have been prepared under International Financial Reporting Standards ("IFRS"). The results for the Company are prepared under UK GAAP.

# Board of Directors

**David Yeoh**
**Executive Chairman**
David Yeoh holds a law degree from the University of London and is an advocate and solicitor of the High Court of Malaya. He has experience in banking, corporate affairs and acquisitions, privatisation, restructuring and real estate transactions. David formerly acted in an advisory capacity for a number of corporations. He has ceased practicing as a lawyer to concentrate on his responsibilities within the Group.

**Joe Wong**
**Chief Executive Officer**
Joe Wong holds a degree in computer science and a Ph.D. in Pharmacy and Healthcare Administration (1991) from the University of Louisiana. He is currently on the board of Ethical Plantations Sdn. Bhd. and a number of other companies. Prior to this, he held a number of senior roles in the financial services sector and has published works in the area of healthcare and equity investment.

**Julie Pomeroy**
**Finance Director**
Julie Pomeroy graduated with an honours degree in Physics from Birmingham University. She is a Chartered Accountant and in addition holds tax and treasury qualifications. Julie was Group Finance Director of Carter & Carter Group plc until October 2005, having joined in 2002 to help grow and float the business. She had previously been Chief Financial Officer of Weston Medical Group plc and, prior to that, Julie worked at East Midlands Electricity plc as Director of Corporate Finance. Since leaving Carter & Carter she has been following a portfolio finance director career working with growing businesses. Julie is a Chartered Director and is also currently Finance Director of AIM-quoted Dillistone Group Plc and a non executive director of Nottinghamshire Healthcare Trust.

**Patrick Howes**
**Non-Executive Director**
Patrick Howes has a Ph.D. in Chemistry (1981) from Salford University and over 25 years' experience in energy related chemical industries. His particular skills are in the execution and management of projects from inception to completion. He is Chairman of the Remuneration Committee.

**David Long**
**Non-Executive Director**
David Long has had many years' experience in operational management and business accounting processes within the paint and chemical industry. He is also adept in forensic accountancy and has the ability to formulate and write new operational procedural manuals. David's particular skill is in logical strategy and analytical pattern movements. He is Chairman of the Audit Committee.

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

## Principal activity

The Company is an Investing Company as defined in the AIM Rules for Companies, with a view to invest in or acquire projects or companies in the energy or utility sectors and their infrastructures. As part of this strategy the Group, through its wholly owned subsidiary Zurex, has commenced work on building a palm oil refinery plant. This could, with the addition of a transesterification module and associated ancillary equipment, be expanded to produce palm oil biodiesel should the production of such biodiesel become economically viable.

The Company's Investing Policy is set out in full on Page 10.

## Review of business

The Group through its wholly owned subsidiary Zurex has commenced building a 200,000 metric tonnes per annum palm oil refinery plant at Lahad Datu, Sabah, Malaysia.

The key performance indicators ("KPIs") for the Group in the immediate future are the delivery of the plant on time and to budget. In addition, non-financial KPIs will focus on build performance and development of operational capability.

For further information see the Business Review section on Page 4.

## Results and dividends

The reported loss for the period was £0.65 million (2008: £0.29 million loss) and represents administrative and salary costs less interest income. Further details are set out on page 13.

No dividend has been paid or proposed for the year.

## Safety and environment

It is the Group's policy to minimise risks to employees and other stakeholders associated with the Group's activities. The Executive Chairman is accountable to the Board for the performance of the Group's safety programme. The Group has had no major accidents since its formation.

## Corporate responsibility

The Company seeks to ensure that best practices are followed in all our dealings with shareholders, customers and employees.

## 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 and their interests

The Directors who served during the year ended 31 December 2009 together with their beneficial interests in the ordinary share capital of the Company at the beginning of the year, or at the date of appointment if later, and at 31 December 2009, are as follows:

| | | Number of ordinary shares held at 31 December 2008 | Number of ordinary shares held at 31 December 2009 |
|---|---|---|---|
| David Yeoh | Executive Chairman | 3,333,500 | 3,333,500 |
| Joe Wong | Chief Executive Officer | 13,334,000 | 13,334,000 |
| Julie Pomeroy | Finance Director | 200,000 | 600,000 |
| Patrick Howes | Non Executive Director | – | 490,000 |
| David Long | Non Executive Director | – | 650,000 |

Details of share options are given in note 20 to the financial statements.

The Group maintains an insurance policy covering directors' and officers' liabilities and had also effected a 6 year prospectus policy on its re-admission to AIM.

# Directors' Report (continued)

## Corporate governance

As an AIM company, there is no requirement to comply with the revised Combined Code, issued by the Financial Reporting Council in June 2008, (the "Combined Code") and in view of the Company's size, stage of development and resources, it does not currently comply with all the provisions of the Combined Code. However, the Board recognises the importance of sound corporate governance and so applies the principles of the Combined Code as it considers appropriate for the Company's stage of development:

**The Board and its committees**

- The Board currently comprises 2 Non-Executive and 3 Executive Directors. The Board is headed by the Executive Chairman. The two Non-Executive Directors are considered to be independent.
- The Board has adopted a formal policy on delegated powers of authority which includes matters specifically reserved for the Board.
- The Company has an Audit Committee and a Remuneration Committee. Patrick Howes (Non- Executive Director) is the Chairman of the Remuneration Committee and David Long (Non- Executive Director) is the Chairman of the Audit Committee.
- The Audit Committee receives and reviews reports from management and the Company's auditors relating to the annual financial statements and the accounting and internal control systems in use throughout the Group. 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 Long Term Incentive Scheme.

**Directors' remuneration**

- The Board is committed to following best practice for the disclosure of Directors' remuneration as is appropriate for a company of its size.
- The Group's policy is to provide executive remuneration packages designed to attract, motivate and retain executives of the calibre necessary to deliver the Group's strategic goals and to enhance shareholder value.
- Remuneration consists of basic salary and certain benefits of pension and insurance. In addition, the Executive Directors may be invited to participate in a long term incentive plan with challenging objectives based on corporate and project performance.

The Company has adopted a model code for dealings in shares by Directors and senior employees which is appropriate for an AIM company. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings.

## Internal control

Key elements of the control framework are:

- Framework of delegated authorities, including matters reserved to the Board.
- Regular Board meetings to review progress and strategy.

## Substantial interests

As at 23 April 2010, the Company had been notified of the following interests amounting to 3% or more of the ordinary share capital of the Company.

| | Number | Percentage |
|---|---|---|
| Stoutman Holdings Limited | 22,068,380 | 14.6% |
| Gartmore Investment Limited | 15,934,030 | 10.55% |
| Wong Kai Fatt | 13,334,000 | 8.8% |
| Q Capital LLP | 10,000,000 | 6.6% |
| Executors of PJ Carter | 6,659,900 | 4.4% |
| Ong Chang Yong | 5,226,928 | 3.5% |

## Principal risks and uncertainties

Biofutures faces risks and uncertainties that are common to other companies that are developing a project.

**Development:**

The Group is developing a refinery plant project which carries inherent risks. These include the construction of the project on time and to budget as well as feed stock and off-take prices continuing at levels that make the project economically viable.

# Directors' Report (continued)

**Financial:**
The Group has obtained a loan from Bank Kerjasama Rakyat Malaysia Bhd. to finance the completion of the building of the Refinery and for working capital. Foreign exchange movements also impact on the cash requirements. Interest rates on borrowing may also make the project uneconomic. Additional working capital finance may be required once the Refinery becomes operational and the availability of such finding will depend on market conditions at that time.

**Key personnel**
The Group is reliant on being able to attract and retain people with the appropriate skills.

## Policy on financial instruments

The Group's financial instruments comprise cash, 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. Available and uncommitted surplus cash is invested on the money market for periods of up to three months. Further information on financial risk management and related policies are contained in note 21 to these financial statements.

## Supplier payment policy

It is the Group's 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 trade creditor days of the Group for the year ended 31 December 2009 were 42 days (2008: 52 days) calculated in accordance with the requirements set down in the Companies Act 2006.

## Political and charitable donations

During the year the Group has made no political donations (2008: nil) and charitable donations totalled £226 (2008: £1,319).

## Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting.

Approved by the Board and signed by order of the Board.

**Julie Pomeroy**
Company Secretary
30 April 2010

# Investing Policy

The Investing Policy of Biofutures International plc (the "Company") is to invest in or acquire projects, assets, partnerships, joint ventures, businesses or companies (public or private) in Europe, Asia and the Middle East in the energy and utility sectors and their related infrastructures. Acquisitions and investments may be funded with cash, equity, debt or any mixture of the aforementioned.

The board of Directors of the Company (the "Directors") and the management team are made up of experienced individuals with diverse backgrounds covering legal, financial, engineering and energy related chemical industries with experience in corporate transactions over a variety of sectors. The Directors will be guided by their experiences in their respective fields of expertise and management skills to identify and investigate investment opportunities and to negotiate acquisitions. Investments and acquisitions will be subject to the relevant legal and financial due diligence being first made and, where necessary, the Company will appoint suitably qualified consultants and market researchers to advise the Directors on the feasibility and risks associated with any potential acquisition or investment. In respect of any acquisitions that the Company may make, the Directors may adopt earn-out structures, with specific performance targets and with suitable metrics applied.

The Company may invest by way of outright acquisition, the acquisition of the assets (including intellectual property) of a relevant business, partnerships or joint venture arrangements. Such investments may result in the Company acquiring the whole or part of a company or project (which in the case of an investment in a company may be private or listed on a stock exchange and which may be pre-revenue) and may constitute a minority stake in the company or project in question. The Company's investments may take the form of equity, joint venture debt, convertible instruments, licence rights or other financial instruments as the Directors deem appropriate.

The Company may be both an active and a passive investor. The Company intends to be a long-term investor and the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

The Company will consider investment opportunities in Europe, Asia and the Middle East and there is no limit on the number of projects into which the Company may invest nor the proportion of the Company's gross assets that any investment may represent at any time.

The Directors may offer new shares in the Company by way of consideration instead of or as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, by way of example and without limit, unexpected changes in the economic environment and unforeseen operational problems. The Company may, in appropriate circumstances, issue debt securities or otherwise borrow money to complete an investment. The articles of association of the Company limit the borrowing capacity of the Company and its subsidiaries (the "Group") to 200% of the aggregate of the amount paid up on the issued share capital for the time being of the Company and the amounts standing to the credit of the reserves of the Group (including any share premium account, capital redemption reserve and the amount standing to the credit of the profit and loss account but after deducting any deficit on the profit and loss account). All of the Company's assets will be held in its own name, or through wholly owned subsidiaries.

The Directors may deem it appropriate in future, though nothing is contemplated at present, to seek cross shareholdings in 'partner' companies which have activities of a complementary nature, thereby potentially strengthening trading and other relationships between these 'partner' companies and Biofutures. It would not be the intention of the Directors to seek any such relationship which could result in more than 20% per cent of the Company being held by any single 'partner'. All investments must be approved by the Directors.

The ordinary shares of the Company are traded on AIM market of the London Stock Exchange, which provides a facility for shareholders to realise their investment in the Company. In addition, the Directors may consider from time to time other means of facilitating returns to shareholders including dividends, share repurchases, demergers and schemes of arrangement or liquidation.

The Company will provide an update on its investing activities in its audited results for each financial year and its unaudited interim results but otherwise has no current plans to publish any regular estimates of its net asset value or updates on its investments.

Save as set out in this Investing Policy, there are no restrictions on the type of investment that the Company might make nor on the type of opportunity that may be considered by the Company.

# Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) for the Group and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) for the parent company. 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. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group 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
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as each of the Directors is aware:

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

The Directors are responsible for the maintenance and integrity of the Company's website in accordance with Rule 26 of the AIM Rules for Companies and accordingly the auditors accept no responsibility for the information published thereon.

Information published on the Company's website is accessible in many countries and legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report
## to the Members of Biofutures International plc

We have audited the financial statements of Biofutures International plc for the year ended 31 December 2009 which comprise the group statement of financial position and parent company balance sheet, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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
As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

### Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Timothy Lincoln**

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
30 April 2010

# Consolidated Statement of Comprehensive Income
## For the year ended 31 December 2009

| | Notes | 2009 £000 | 2008 £000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Gross profit** | | **–** | – |
| Administrative expenses | | **(729)** | (713) |
| Finance income | | **76** | 428 |
| **Loss before tax** | 4 | **(653)** | (285) |
| Income tax expense | 7 | **–** | – |
| **Loss for the period attributable to equity interests** | | **(653)** | (285) |
| **Other comprehensive income** | | | |
| Net exchange differences on translating foreign operations | | **(2,261)** | 6,186 |
| **Other comprehensive (loss)/income net of tax** | | **(2,261)** | 6,186 |
| **Total comprehensive (loss)/income for the period** | | **(2,914)** | 5,901 |
| **(Loss) per share** | | | |
| – Basic and diluted | 8 | **(0.43)p** | (0.19)p |

The accompanying notes and accounting policies form an integral part of these financial statements.

# Consolidated Statement of Financial Position
## At 31 December 2009

| | Notes | 2009 £000 | 2008 £000 |
|---|---|---|---|
| **Assets** | | | |
| *Non-current assets* | | | |
| Property, plant and equipment | 9 | **5,486** | 2,649 |
| Goodwill | 10 | **6,722** | 7,584 |
| Intangible assets | 10 | **19,647** | 21,539 |
| | | **31,855** | 31,772 |
| *Current assets* | | | |
| Trade and other receivables | 12 | **57** | 101 |
| Cash and cash equivalents | 13 | **4,755** | 7,812 |
| | | **4,812** | 7,913 |
| **Total assets** | | **36,667** | 39,685 |
| **Liabilities** | | | |
| *Current liabilities* | | | |
| Trade and other payables | 16 | **956** | 673 |
| *Non-current liabilities* | | | |
| Term loan | 17 | **318** | – |
| Deferred Tax | 11 | **4,912** | 5,600 |
| **Total liabilities** | | **6,186** | 6,273 |
| **Net assets** | | **30,481** | 33,412 |
| *Equity* | | | |
| Share capital | 14 | **1,510** | 1,510 |
| Share premium account | 15 | **11,293** | 11,293 |
| Merger reserve | 15 | **16,001** | 16,001 |
| Translation reserve | 15 | **4,879** | 7,140 |
| Share based scheme reserve | 15 | **1,042** | 1,059 |
| Retained earnings | | **(4,244)** | (3,591) |
| **Total equity** | | **30,481** | 33,412 |

The financial statements were approved by the Board on 30 April 2010

**David Yeoh**

**Julie Pomeroy**

The accompanying accounting policies and notes form an integral part of these financial statements
Company Registration No: 05712979

# Consolidated Statement of Changes in Equity
## For the year ended 31 December 2009

| | Share capital £000 | Share premium account £000 | Merger reserve £000 | Exchange differences on translation of foreign operations £000 | Share based scheme reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2008** | 1,510 | 11,293 | 16,001 | 954 | 1,033 | (3,306) | 27,485 |
| Loss for the year | – | – | – | – | – | (285) | (285) |
| Translation reserve | – | – | – | 6,186 | – | – | 6,186 |
| Total comprehensive Income | 1,510 | 11,293 | 16,001 | 7,140 | 1,033 | (3,591) | 33,386 |
| Issue of options and warrants | – | – | – | – | 26 | – | 26 |
| **At 31 December 2008** | 1,510 | 11,293 | 16,001 | 7,140 | 1,059 | (3,591) | 33,412 |
| Loss for the year | – | – | – | – | – | (653) | (653) |
| Translation reserve | – | – | – | (2,261) | – | – | (2,261) |
| Total comprehensive Income | 1,510 | 11,293 | 16,001 | 4,879 | 1,059 | (4,244) | 30,498 |
| Lapse of options | – | – | – | – | (17) | – | (17) |
| **At 31 December 2009** | **1,510** | **11,293** | **16,001** | **4,879** | **1,042** | **(4,244)** | **30,481** |

All reserves are attributable to the equity holders of the parent company.

# Consolidated Cash Flow Statement
## For the year ended 31 December 2009

| | Notes | 2009 £000 | 2008 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 18 | **(362)** | (834) |
| **Net cash used in operating activities** | | **(362)** | (834) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(3,081)** | (125) |
| Interest received | | **76** | 428 |
| **Net cash used in investing activities** | | **(3,005)** | 303 |
| **Cash flows from financing activities** | | | |
| New loans in period | | **318** | – |
| **Net cash generated from financing activities** | | **318** | – |
| **Net decrease in cash and cash equivalents** | | **(3,049)** | (531) |
| Cash at beginning of year | | **7,812** | 8,329 |
| Effect of exchange rate changes | | **(8)** | 14 |
| **Cash and cash equivalents at end of year** | 13 | **4,755** | 7,812 |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Notes to the Financial Statements
## For the year ended 31 December 2009

### 1 General information

The Company was incorporated on 17 February 2006.

Biofutures International plc ("the Company") and its subsidiaries (together "the Group") are involved in the refining of palm oil.

The Company is a public limited company incorporated and domiciled in England.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 April 2010.

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

These consolidated financial statements of Group plc are for the year ended 31 December 2009. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The parent company financial statements have been prepared using United Kingdom accounting standards and are on pages 31 to 34.

The Company is entitled to the merger relief offered by Section 612 of the Companies Act 2006 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Zurex.

The policies set out below have been consistently applied.

#### 2.2 Going concern

The Group has committed to building a 200,000 metric tonne refinery plant and has banking facilities of RM47m (£9.4 million at £1=RM5) consisting of two tranches, of which RM28.8 million is for capital expenditure and RM18.2 million for working capital. Additional finance may be required to fund the working capital needed for production of refined palm oil at full capacity. The board expects to be able to raise the necessary finance, if it is required, once the plant is built. If such funding was not obtained, the board expects to be able to commission the plant and continuous production at full capacity would be deferred until such time as the necessary working capital is obtained.

#### 2.3 Adoption of new and revised standards

During the year the Group has applied IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments. IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary this year because the 2008 balance sheet is the same as that previously published.

The adoption of IAS 1 Presentation of Financial Statements (Revised 2007) has introduced a number of terminology changes (including titles for the primary statements) and has resulted in a number of changes in presentation and disclosure. The revised standard has had no impact on the reported results or financial position of the Group.

The adoption of IFRS 8 has not changed the segments that are disclosed in the financial statements. The previous annual and interim financial statements identified segments by reference to the dominant source and nature of the Group's risks and returns. These segments are consistent with those used within internal management reporting information that is regularly reviewed by the chief operating decision maker, as required by IFRS 8.

#### 2.4 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2009 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

# Notes to the Financial Statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.5 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 2.6 Segment reporting

Following the adoption of IFRS 8, Operating Segments, the Group's segmental analysis follows internal reporting, and results in one 'operational' segment being identified.

### 2.7 Foreign currency translation

**(a) Functional and presentational currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in sterling, which is the Company's functional and presentational currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date. All exchange gains arising on retranslation of assets and liabilities are dealt with in the income statement.

**(c) Consolidation of overseas subsidiary**

Income and expenditure for overseas subsidiaries are included based upon monthly average exchange rates to give a fair approximation to the transaction rate. Balance sheet items are included at the year-end exchange rate. All other differences are included within the translation reserve, including related goodwill and intangible assets, which are translated at the rate ruling at the balance sheet date.

### 2.8 Property, plant and equipment

All property, plant and equipment (PPE) is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method at 10% to 20% so as to allocate the cost of each asset less its residual value over its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Land is not depreciated. Assets in the course of construction are not depreciated until they are brought into use, at which point they are re-categorised to their relevant description. Under IAS23 finance costs which are attributable are capitalised.

The principal annual depreciation rates used are as follows:-

- Computer equipment 20%
- Motor vehicles 20%
- Leasehold additions 10%

### 2.9 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

# Notes to the Financial Statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.9 Intangible assets (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Identifiable intangible assets are recognised separately from goodwill on all acquisitions. Such assets are carried at fair value at the date of acquisition (i.e as deemed cost). Such intangible assets are reviewed for impairment on an annual basis.

The intangible assets acquired were an option to acquire land, a licence to manufacture palm oil biodiesel, and the linked refinery licence subsequently obtained. The group of assets are all intrinsically linked and have been valued as a "group" (see note 10). The Directors are of the opinion that these intangibles have an indefinite useful economic life, so no annual amortisation is charged. The group of assets will be subject to annual impairment review.

### 2.10 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

### 2.11 Trade and other receivables

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount plus transaction costs, and subsequently carried at amortised cost using the effective interest method less provisions made for impairment of receivables.

### 2.12 Trade and other payables

Trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Cash and cash equivalents

Cash and cash equivalents (readily convertible into a known amount of cash) include cash in hand and deposits held at call with banks with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

### 2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.15 Employee Benefits

**(a) Pension obligations**

Group companies do not operate defined contribution schemes but contribute to individual personal pension plans for certain employees by way of paying 10% of their gross salary costs in lieu of a scheme contribution accounted for as salary when payable.

# Notes to the Financial Statements (continued)

## 2 Summary of significant accounting policies (continued)

### 2.15 Employee Benefits(continued)

**(b) Share based payments**

The share option programmes allow Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is usually measured using a binomial model, taking account of the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest where forfeiture is due to performance criteria not being met during the life of the option.

### 2.16 Judgments and estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Directors have used their expert knowledge of the Malaysian bio fuels and oil refining markets to estimate the carrying values of goodwill and to estimate the carrying value of certain assets. Although the biodiesel project will not now be carried out, the holding of the biodiesel licence which includes the rights to produced refined palm oil, has enabled the Company to obtain an additional licence to produce and sell refined palm oil. Accordingly the biodiesel licence has not been impaired.

**(a) Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above (note 10).

**(b) Intangibles**

The Group has had to make judgments on which intangible assets are intrinsically linked (note 10). Although the biodiesel project will not now be carried out, the holding of the biodiesel licence which includes the rights to produced refined palm oil, has enabled the Company to obtain an additional licence to produce and sell refined palm oil. Accordingly the biodiesel licence has not been impaired (note 10).

**(c) Estimated impairment of intangibles**

The Group uses net present value calculations based on expected future cash flows to measure the value in use of the intangibles. These calculations require the use of estimates (note 10).

**(d) Estimate of useful life of intangibles**

The Directors have to estimate the useful life of intangibles. They have taken into account the nature of the assets and their expected life (note 10).

**(e) Carrying value of property, plant and equipment**

The Group has reviewed property, plant and equipment and exercised judgment on which assets will have a continuing benefit to the business. In addition judgments have had to be made, based on discussions with third parties, on the likely carrying value of assets that may not be required following the review of the Zurex Project (see note 9).

**(f) Impairment of other assets**

In view of the decision to re-engineer the biodiesel project into a refinery project, the Group has had to review all assets and make judgments that no impairment is required currently, other than that made in respect of property, plant and equipment assets. This mainly relates to land which is included at £1.184 million (2008: £1.462 million) (see note 9).

## 3 Subsidiaries

The Group has one principal subsidiary

Zurex Corporation Sdn. Bhd. (“Zurex”) is incorporated in Malaysia and is 100% owned. It is building a palm oil refinery.

# Notes to the Financial Statements (continued)

## 4 Segment information

At 31 December 2009, the Group has one operating segment, which is the planning and construction of palm oil refining plant and related activities (termed 'operational' below). Reconciling items between 'operational' and the Group's reported results relate to head office and related administrative costs:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| **Operating loss** | | |
| Operational | **(395)** | (193) |
| Head Office | **(334)** | (520) |
| | **(729)** | (713) |
| **Loss before Income Tax** | | |
| Operational | **(392)** | (191) |
| Head Office | **(261)** | (94) |
| | **(653)** | (285) |
| **Loss for the year** | | |
| Operational | **(392)** | (191) |
| Head Office | **(261)** | (94) |
| | **(653)** | (285) |

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

| | 2009 £000 | 2008 Restated £000 |
|---|---|---|
| **Assets** | | |
| Operational | **31,102** | 32,103 |
| Head Office | **653** | 7,582 |
| | **31,755** | 39,685 |
| **Liabilities** | | |
| Operational | **1,132** | 6,105 |
| Head Office | **142** | 168 |
| | **1,274** | 6,273 |
| **Capital expenditure (note 9)** | | |
| Operational | **3,081** | 105 |
| Head Office | **–** | – |
| | **3,081** | 105 |

Segment assets consist primarily of land, plant and equipment, intangible assets (net of related deferred tax), receivables and operating cash. They exclude inter-company assets.

Segment liabilities comprise operating liabilities and borrowings of operational subsidiaries. They exclude items such as taxation and inter-company liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 9), including additions resulting from acquisitions through business combinations.

**Geographical analysis**

The home country of the Company is England.

| | 2009 £000 | 2008 £000 |
|---|---|---|
| **Assets** | | |
| Malaysia (operational) | **31,102** | 32,103 |
| England | **653** | 7,582 |
| | **31,755** | 39,685 |
| **Liabilities** | | |
| Malaysia (operational) | **1,132** | 6,105 |
| England | **142** | 168 |
| | **1,274** | 6,273 |
| **Capital expenditure (note 9)** | | |
| Malaysia (operational) | **3,081** | 105 |
| England | **–** | – |
| | **3,081** | 105 |

# Notes to the Financial Statements (continued)

## 5 Expenses by nature

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Depreciation | **12** | 11 |
| Employee benefit expense (note 6) | **372** | 326 |
| Auditors' remuneration | | |
| • fees payable to the Company's auditors for the audit of the Company's annual accounts | **19** | 20 |
| • fees payable to an associate of the Company's auditor for the audit of the Company's subsidiary: pursuant to legislation | **2** | 1 |
| • Tax services | **2** | 7 |
| • Other services | **3** | 3 |
| Share based payment charge/(credit) | **(17)** | 26 |
| Exchange rate differences | **(3)** | (100) |

All of the above are classified as administrative expenses.

## 6 Directors and employees

The employee benefit expense during the year was as follows:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Wages and salaries | **364** | 299 |
| Social security costs | **25** | 19 |
| Share based payments | **(17)** | 8 |
| | **372** | 326 |

The average number of employees during the year was as follows:

| | 2009 Number | 2008 Number |
|---|---|---|
| **Administration** | **8** | 7 |

Remuneration in respect of Directors was as follows:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Wages and salaries | **283** | 272 |
| Termination payments | **–** | – |
| | **283** | 272 |

**Highest paid Director**

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Wages and salaries | **103** | 99 |
| Termination payments | **–** | – |
| Share based payments | **–** | – |
| | **103** | 99 |

The Board considers key management to currently comprise the three Executive Directors (see page 6) and Henry Yong. Compensation for key management was:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Wages & salaries | **302** | 272 |
| Social security costs | **22** | 18 |
| Share based payments | **(17)** | 8 |
| | **307** | 298 |

# Notes to the Financial Statements (continued)

## 7 Income tax expense

There is no tax charge due to the losses arising in the year and the impact of losses brought forward (2008: £nil).

Deferred tax relating to the acquisition during 2006 is detailed in note 11.

The tax on the Group's profit before tax differs from the loss before taxation multiplied by the standard rate of corporation tax in the UK due to the following:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Loss before tax | **(653)** | (285) |
| Tax calculated at the standard rate of corporation tax in the UK: (28.0%) (2008:28.5%) | **(183)** | (81) |
| Benefit of tax losses brought forward from previous periods/carried forward to future periods for which no deferred tax asset has been recognised | **(18)** | (52) |
| Expenses not deductible | **201** | 133 |
| Tax charge | **–** | – |

**Factors Affecting Future Tax Charges**

The standard rate of UK corporation tax charge reduced from 30% to 28% from 1 April 2008. The effective rate for 2009 was 28.0% (2008: 28.5%).

## 8 Loss per share

**Basic**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2009 | 2008 |
|---|---|---|
| Loss attributable to equity holders of the Company | **£653,000** | £285,000 |
| Weighted average number of ordinary shares in issue | **151,060,000** | 151,060,000 |
| Basic and diluted loss per share in pence | **(0.43)p** | (0.19)p |

**Diluted**

Diluted loss per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all contracted dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares.

The options and warrants in issue are currently anti-dilutive and accordingly the diluted loss per share is the same as the basic loss per share.

## 9 Property, plant and equipment

| | Land £000 | Leasehold additions £000 | Motor Vehicles £000 | Office and Computer equipment £000 | Assets in the course of Construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1 January 2008 | 1,186 | 30 | 14 | 8 | 3,284 | 4,522 |
| Foreign exchange adjustment | 377 | 10 | 5 | 2 | 1,045 | 1,439 |
| Additions | 3 | – | – | 8 | 94 | 105 |
| As at 31 December 2008 | 1,566 | 40 | 19 | 18 | 4,423 | 6,066 |
| Foreign exchange adjustment | (137) | (3) | (2) | (2) | (388) | (532) |
| Additions | 16 | – | – | 2 | 3,229 | 3,247 |
| Rebates | (166) | – | – | –- | – | (166) |
| Closing cost at 31 December 2009 | **1,279** | **37** | **17** | **18** | **7,264** | **8,615** |

# Notes to the Financial Statements (continued)

## 9 Property, plant and equipment (continued)

| | Land £000 | Leasehold additions £000 | Motor Vehicles £000 | Office and Computer equipment £000 | Assets in the course of Construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Depreciation** | | | | | | |
| As at 1 January 2008 | 79 | 3 | 3 | 1 | 2,498 | 2,584 |
| Foreign exchange adjustment | 25 | 1 | 1 | – | 795 | 822 |
| Charge for year | – | 4 | 3 | 4 | – | 11 |
| Closing depreciation at 31 December 2008 | 104 | 8 | 7 | 5 | 3,293 | 3,417 |
| Foreign exchange adjustment | (9) | (1) | (1) | – | (289) | (300) |
| Impairment Charge for year | – | 4 | 4 | 4 | – | 12 |
| Closing depreciation at 31 December 2009 | **95** | **11** | **10** | **9** | **3,004** | **3,129** |
| Net book value as at 31 December 2009 | **1,184** | **26** | **7** | **9** | **4,260** | **5,486** |
| Net book value as at 31 December 2008 | 1,462 | 32 | 12 | 13 | 1,130 | 2,649 |

The outcome of the arbitration proceedings in respect of the contract with JJ Lurgi could potentially impact on the carrying value of assets in the course of construction (see note 19).

## 10 Intangible assets

| | Goodwill on consolidation £000 | Group of intangibles £000 | Deferred tax (note 11) £000 | Total £000 |
|---|---|---|---|---|
| Fair value of acquisition | 1,428 | 15,500 | – | 16,928 |
| Deferred taxation | 4,650 | – | (4,650) | – |
| Restated deferred tax at Malaysian tax rate of 26% | (620) | – | 620 | – |
| Translation gain | 2,126 | 6,039 | (1,570) | 6,595 |
| As at 31 December 2008 | 7,584 | 21,539 | (5,600) | 23,523 |
| Restated deferred tax at Malaysian tax rate of 25% | (215) | – | 215 | – |
| Translation gain | (647) | (1,892) | 473 | (2,066) |
| As at 31 December 2009 | **6,722** | **19,647** | **(4,912)** | **21,457** |

The carrying amount of goodwill is all allocated to the operational cash generating unit and is consistent with the treatment in previous years.

The intangible assets are included at their fair value and have been grouped together. They relate to the option to acquire the land, the licence to manufacture palm oil biodiesel and the linked refinery licence subsequently obtained. The group of assets could not be separated as they were considered to be all intrinsically linked. An indefinite life has been assumed as the licences have no termination date and the Group will have full rights to the land. The production of palm oil is also such an important commodity in Malaysia that its production and demand is expected to continue indefinitely.

Zurex was established to build a 200,000 metric tonnes per annum palm oil biodiesel plant on the land at Lahad Datu, Sabah, Malaysia. The Directors announced in November 2008 that they are proposing to re-engineer the works done to date to allow a palm oil refinery plant to be built instead. 14 acres of land have now been acquired and permission obtained for an additional licence to permit palm oil refining. The intangible assets have been reviewed based on the assumption that the refinery plant will be built and that construction will be completed by 30 September 2010.

The projected cash flows over the next 10 years, discounted at a pre-tax rate of 12%, will be higher than the carrying values detailed above. The projections to support the carrying value are based on the following assumptions:-

- Margin of refined palm oil over crude palm oil - RM180 per metric tonne.
- The plant is expected to produce 200,000 metric tonnes per annum.
- Income and costs rise at 5% per annum.
- 10 years has been used to more fairly reflect the long term nature of the plant.

# Notes to the Financial Statements (continued)

## 10 Intangible assets (continued)

- Terminal values have been used in calculating the discounted value of the cash flows.
- Pre-tax discount rate of 12% has been applied.
- Long term growth rate of 3% is assumed.
- Exchange rate of £1 = RM5 is used.

Based on the above assumptions no provision for impairment is required.

Goodwill represents the fair value attributed to the knowledge of the Malaysian nationals required to hold the operational licence for the biodiesel plant in Malaysia, acquired with Zurex. Although the biodiesel plant will not be built an additional licence has been obtained to also allow palm oil refining, which will utilize the same knowledge. Accordingly, no impairment is currently considered necessary.

## 11 Deferred income tax

The movement on the deferred income tax account reflects the restatement of the liability at the Malaysian tax rate of 25% and the translation gains arising on conversion from Malaysian Ringgit to Sterling and these movements are included in the translation reserve:

| | £000 |
|---|---|
| As at 1 January 2008 | 4,248 |
| Retranslation gain | 1,352 |
| As at 31 December 2008 | 5,600 |
| Restated at Malaysian tax rate of 25% | (215) |
| Retranslation loss | (473) |
| As at 31 December 2009 | **4,912** |

The deferred tax liability arose on the acquisition of Zurex in 2006 (see Note 10).

The Group has unutilised tax losses of £160,000 (2008: £213,000) for which no tax asset has been provided.

The movement in un-provided deferred tax assets is as follows:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| As at 1 January | **60** | 155 |
| Impact of rate reduction | **–** | (10) |
| Adjustment in respect of prior years | **3** | (34) |
| (Losses in prior year utilised) | **(18)** | (51) |
| Carried forward at 31 December | **45** | 60 |

The deferred income tax asset is recoverable as follows:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Deferred tax asset to be recovered after more than 12 months | **45** | 60 |
| Un-provided tax asset | **45** | 60 |

The deferred tax asset is not provided in view of the uncertainty as to the timing of its recoverability.

## 12 Trade and other receivables

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Other | **57** | 101 |

The amounts of other receivables are carried on an amortised cost basis.

Credit risk
As the Company is currently not trading it has limited exposure to credit risk in respect of receivables.

Other receivables mainly relate to prepayments and deposits and no provisions or impairment have been made against such items.

# Notes to the Financial Statements (continued)

## 13 Cash and cash equivalents

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Cash at bank and in hand | **95** | 154 |
| Short-term bank deposits | **1,023** | 7,658 |
| Security Deposit* | **3,637** | – |
| | **4,755** | 7,812 |

- *The security deposit is in respect of the loan facility with Bank Kerjasama Rakyat Malaysia Bhd. and the monies are therefore not immediately available to the Group (see Note 17).*

Short term deposits are monies held on money market or fixed term deposits made with recognised banks. The security deposit is to support the bank lending.

**Credit risk**
The Group recognises the impact of credit risk and has diversified its cash holdings over 4 banks.

**Interest rate and liquidity risk**
The effective interest rate on short-term bank deposits was 1.6% (2008:5.3%). These deposits have an average maturity of 49 days (2008: 34 days).

## 14 Share capital

| | 2009 Number | 2009 £000 | 2008 Number | 2008 £000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of 1p each | **250,000,000** | 2,500 | 250,000,000 | 2,500 |
| **Issued** | | | | |
| At 1 January | **151,060,000** | 1,510 | 151,060,000 | 1,510 |
| Issue of shares | **–** | – | – | – |
| At 31 December | **151,060,000** | 1,510 | 151,060,000 | 1,510 |

All issued shares are fully paid.

## 15 Description and purpose of reserves

The reserves included in the Consolidated Statement of Changes in Equity are as follows:

| | |
|---|---|
| Share capital | - represents the nominal value of the shares issued. |
| Share premium account | - represents the premium over nominal value paid for the shares issued. |
| Merger reserve | - represents the premium on shares issued as consideration for the acquisition of Zurex, which was acquired by way of share for share exchange and qualified for merger relief. |
| Translation reserve | - represents the differences arising on translation of foreign operations into the presentational currency. |
| Share based scheme reserve | - represents the balance of share award schemes not yet released to the income statement. |

**Management of capital**

The Group considers capital to be its equity reserves. At the current stage of the Group's life cycle, the Group's objective in managing its capital is to ensure that funds raised meet the refinery plant build and operational expenditure requirements. The Group reviews the refinery plant build to ensure that it is progressing in line with expectations, that costs are in line with budgets and places unused funds on deposit to conserve resources and increase returns on surplus cash held.

# Notes to the Financial Statements (continued)

## 16 Current liabilities

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Trade payables | **956** | 667 |
| Social security and other taxes | **–** | 6 |
| | **956** | 673 |

The carrying amounts of trade and other payables are at fair value.

The trade creditor days of the Group for the year ended 31 December 2009 were 42 days (2008: 52 days)

## 17 Bank borrowing

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Bank borrowings | **318** | – |

The bank borrowings arise under a facility with Bank Kerjasama Rakyat Malaysia Bhd., a licensed bank in Malaysia, for the aggregate sum of up to RM47 million (approximately £9.4 million £1=RM5) consisting of two tranches, of which RM28.8 million is for capital expenditure and RM18.2 million for working capital. The borrowings have been made under Islamic banking principles and include an asset sale agreement and an asset purchase agreement. Zurex has placed RM20m on deposit with Bank Kerjasama Rakyat Malaysia Bhd as security for the lending of monies. A legal charge and debenture have been given to the Bank together with a corporate guarantee from the Company. The effective rate of interest is set at 1.5% over the Bank's funding rate subject to a cap at 9.95%. The first drawing under the facility was made in late December 2009 and no interest has been provided in these accounts.

## 18 Cash generated from operations

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Operating loss | **(729)** | (713) |
| Adjustments for: | | |
| - depreciation | **12** | 11 |
| - share based payments (note 20) | **(17)** | 26 |
| Changes in working capital (excluding the effects of acquisition): | | |
| - trade and other receivables | **44** | (33) |
| - trade and other payables | **328** | (125) |
| Cash generated from operations | **(362)** | (834) |

## 19 Contingencies

In June 2009, the Company issued a Notice of Arbitration to JJ-Lurgi Engineering Sdn. Bhd. ("JJ Lurgi"). This relates to the dispute between the Company and JJ-Lurgi in connection with the contract between them dated 26 January 2007 for the supply of components for the construction of a 200,000 tonnes per annum palm oil biodiesel plant. The original contract was for RM38.4 million (£7.7 million at £1=RM5) of which RM11.5 million (£2.3 million at £1=RM5) had been paid. The Company supported by legal advice, has taken the view that the contract had been terminated. Zurex is claiming RM9.89 million (£1.98 million £1=RM5) against JJ-Lurgi and JJ-Lurgi has a counter claim of RM2.87 million (£0.57 million £1=RM5) against Zurex under the arbitration proceedings.

The ultimate outcome of the arbitration between the Company and JJ Lurgi cannot be determined presently for inclusion within these accounts, but the Directors are of the opinion that the Company will be able to support its case successfully and, accordingly, no contingent liability nor any contingent asset has been recognised (2008 - nil).

# Notes to the Financial Statements (continued)

## 20 Share based payments

The Group has three contracted share option schemes and warrants in issue. The contracted and proposed options have been valued in accordance with the provisions of IFRS 2. There was a credit of £17,000 (2008 charge £27,000) to the income statement in respect of share based payments.

| Scheme | Date of original grant | Option price | Vesting conditions | Life of option | Bfwd at 1/1/2009 | Exercised | Lapsed | Carried forward |
|---|---|---|---|---|---|---|---|---|
| LTIP (employee) | 27/10/06 | 1p | Share Price | 3 years | 120,000 | – | (120,000) | – |
| Warrant | 27/10/06 | 25p | None | 1 month | 1,107,975 | – | – | 1,107,975 |
| Option | 29/08/08 | 4.875p | None | 4 Years | 1,510,600 | – | – | 1,510,600 |
| Totals | | | | | | 2,738,575 | (120,000) | 2,618,575 |

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on a binomial lattice model for both long term incentive plans (LTIP). The vesting period is used as an input to those models. The following additional assumptions were used:

| | LTIP | Warrants |
|---|---|---|
| Expected volatility based on the average volatility of four closely comparable companies over a 12 month period | 60% | 60% |
| No expected dividends | 4.97% | 4.65% |
| Risk-free interest rate | 4.97% | 4.6-4.9% |

The calculation of the fair value of the options granted in 2008 are based on a volatility of 55% and a risk free interest rate of 4.53%.

On 5 February 2010 the following option were granted to Directors and key management.

| Director/key management | Options granted | Option price |
|---|---|---|
| David Yeoh | 1,684,425* | 4.046p |
| Joe Wong | 1,684,425* | 4.046p |
| Julie Pomeroy | 1,454,220* | 4.046p |
| Henry Yong | 1,203,161* | 4.046p |
| Patrick Howes | 350,000 | 4.046p |
| David Long | 350,000 | 4.046p |

** With performance conditions*

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

| | 2009 Number | 2009 WAEP (pence) | 2008 Number | 2008 WAEP (pence) Restated |
|---|---|---|---|---|
| At 1 January | **2,738,575** | **12.85** | 1,227,975 | 22.65 |
| Granted during the year | **–** | **–** | 1,510,600 | 4.875 |
| Exercised during the year | **–** | **–** | – | – |
| Lapsed | **(120,000)** | **1.00** | – | – |
| At 31 December | **2,618,575** | **13.39** | 2,738,575 | 12.85 |

# Notes to the Financial Statements (continued)

## 21 Financial Instruments

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow risk, fair value interest-rate risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury policy is set by the Board and is reviewed regularly. The policy involves the use of certain financial instruments in the management of risks. Surplus cash is placed on short term deposit to maximise interest earned.

The carrying amounts of the Group's financial assets and liabilities as at 31 December 2009 may also be categorised as follows:

| | Group 2009 £000 | 2008 £000 |
|---|---|---|
| **Non current investments** | | |
| Investments | **–** | – |
| **Current assets** | | |
| Trade and other receivables | **57** | 101 |
| Cash and cash equivalents | **4,755** | 7,812 |
| Loans and receivables carried at amortised cost | **4,812** | 7,913 |
| **Current liabilities** | | |
| Trade and other payables | **956** | 673 |
| **Non-current liabilities** | | |
| Term Loan | **318** | – |
| Other financial liabilities carried at amortised cost | **1,274** | 673 |

Risk management is carried out centrally under policies approved by the Board.

**(a) Credit risk**

The Group's current main credit risks relates to monies held on deposit with various banking institutions. Monies held on deposit are spread over 4 main financial institutions to reduce the credit risk.

**(b) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash balances and ensuring availability of funding.

**(c) Cash flow and fair value interest rate risk**

The Group's cash flow interest rate risk arises from money market deposits. Deposits made at variable rates expose the Group to cash flow interest rate risk. The Group's deposits are at a fixed rate for the duration of the deposit which range from 1 week to 3 months. No long term interest rate hedging contracts have been entered into. The Group does not consider the risk to be significant in view of the nature of the Group's current activities. If interest rates had changed by 0.5% during the year, the impact on the Group's profit and loss would have been £24,000 (2008: £41,000).

**(d) Foreign currency risk**

The Company has investments in operations outside the United Kingdom denominated in currencies other than sterling. As a result the value of the Company's non-sterling financial assets and cash flows can be affected by movements in exchange rates, in particular the Malaysian Ringgit/Sterling exchange rate. The Group does not currently have an active policy to hedge its foreign currency risks as it is looking to finance the overseas operations in local currency hence reducing exchange risks (2008: nil).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| The following amounts have been translated from Malaysian Ringgit: | | |
| Trade and other receivables | **22** | 5 |
| Cash and cash equivalents | **4,136** | 325 |
| Trade and other payables | **(813)** | (505) |
| Bank financing | **(318)** | – |
| Net exposure | **3,027** | (175) |

# Notes to the Financial Statements (continued)

## 21 Financial Instruments (continued)

For the year ended 31 December 2009, if the Malaysian Ringgit had weakened by 0.5 Malaysian Ringgit against Sterling with all other variables held constant, the post tax loss for the year would have been £33,000 (2008: £14,000) lower mainly as a result of foreign exchange gains/losses on translation of Malaysian Ringgit-denominated transactions.

Equity would have been £2,498,000 (2008: £2,356,000 (restated)) lower, arising mainly from foreign exchange losses/gains on translation of Malaysian Ringgit-denominated assets and liabilities.

## 22 Capital Commitments

| | 2009<br>£000 | 2008<br>£000 |
|---|---|---|
| Contracted but not provided for:- | | |
| Property, plant and equipment for the refinery plant* | **4,040** | – |

*Translated at £1 = RM5

## 23 Related party transactions

Henry Yong is a director of both WS Bio and Zurex (although he is not a director of the Company), and accordingly the contracts entered into with WS Bio in February 2009 and December 2009 represent related party transactions. The following transactions were carried out with related parties.

| | 2009<br>£000 | 2008<br>£000 |
|---|---|---|
| Assets in the course of construction by WS Bio * | **2,746** | – |

**Translated at year end rate*

# Statement of Financial Position (Parent Company)
## At 31 December 2009

| | Note | 2009 £000 | 2008 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 2 | **16,926** | 16,926 |
| **Current assets** | | | |
| Debtors | 3 | **12,209** | 5,340 |
| Cash at bank and in hand | | **619** | 7,487 |
| | | **12,828** | 12,827 |
| Creditors: amounts falling due within one year | 4 | **(142)** | (168) |
| Net current assets | | **12,686** | 12,659 |
| Net assets | | **29,612** | 29,585 |
| **Capital and reserves** | | | |
| Called up share capital | 6 | **1,510** | 1,510 |
| Share premium account | 7 | **11,293** | 11,293 |
| Merger reserve | 7 | **16,001** | 16,001 |
| Share based scheme reserve | 7 | **1,042** | 1,060 |
| Profit and loss account | 7 | **(234)** | (279) |
| Shareholders' funds | | **29,612** | 29,585 |

The financial statements were approved by the Board on 30 April 2010

**David Yeoh**

**Julie Pomeroy**

# Financial Statements (Parent Company)
## For the year ended 31 December 2009

### Principal accounting policies

#### Basis of preparation
The financial statements have been prepared under the historical cost convention and have been prepared under United Kingdom Generally Accepted Accounting Practice.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account (as detailed in note 12).

The Company is entitled to the merger relief offered by Section 612 of the Companies Act 2006 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Zurex.

The principal accounting policies of the Company are set out below.

#### Income from investments
Investment income comprises bank interest received.

#### 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;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

#### Foreign currency
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### Investments
Investments in subsidiary companies which were subject to merger relief are shown at the nominal value of shares issued in accordance with the provisions of the Companies Act 2006.

Investments in subsidiary companies which are accounted for under acquisition accounting principles are shown at cost less any provision for impairment.

#### Financial instruments
The Company has taken advantage of the exemptions available in FRS 29 “Financial instruments: disclosure and presentation” from disclosing information on financial instruments on the basis that these disclosures are set out in the consolidated financial statements of Biofutures International plc for the year ended 31 December 2009.

#### Share based payments
On the issue of equity instruments such as shares or share options, a charge is made in the profit and loss account equivalent to the difference between the fair value of the instrument at the date of grant of rights, and the amount paid or payable by the holder of the instrument to realise the benefit of the rights. This charge is spread over the period until the participants become unconditionally entitled to benefit. A corresponding credit is made to reserves at the same time. Where there are non-market vesting conditions, an estimate is made of the amount of instruments that will vest. This estimate is reviewed annually and the charge recognised adjusted as required. Where the amount paid or payable by the holder of the instrument, to realise the benefit of the rights, is considered to exceed the fair value of the instrument, no charge is made.

# Financial Statements (Parent Company) (continued)

## 1 Tax on profit on ordinary activities

There is no tax charge due to utilization of brought forward losses in the year. The loss available to carry forward against future profits is £160,000. No deferred tax asset has been provided due to the anticipated timing of the utilization of the losses (note 5).

## 2 Fixed asset investments

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Cost | | |
| At 1 January | **16,926** | 16,926 |
| Additions in year | **–** | – |
| At 31 December | **16,926** | 16,926 |

## 3 Debtors

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Amounts owed by Group undertaking | **12,176** | 5,245 |
| Other debtors | **33** | 95 |
| | **12,209** | 5,340 |

## 4 Creditors: amounts falling due within one year

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Trade creditors | **37** | 34 |
| Other taxation and social security | **–** | 5 |
| Accruals and deferred income | **105** | 129 |
| | **142** | 168 |

## 5 Deferred taxation

The deferred tax asset is un-provided at 31 December 2009

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Other timing differences re losses carried forward | **45** | 60 |

The deferred income tax asset is recoverable as follows:

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Deferred tax asset to be recovered after more than 12 months | **45** | 60 |
| Un-provided tax asset | **45** | 60 |

The deferred tax asset is not provided in view of the uncertainty as to the timing of its recoverability.

## 6 Share capital

| | 2009 £000 | 2008 £000 |
|---|---|---|
| **Authorised** | | |
| Ordinary shares of 1p each | **2,500** | 2,500 |
| Allotted, called up and fully paid | | |
| Ordinary shares of 1p each | **1,510** | 1,510 |

# Financial Statements (Parent Company) (continued)

## 6 Share capital (continued)

| | 2009 Number | 2009 £000 | 2008 Number | 2008 £000 |
|---|---|---|---|---|
| **Issued** | | | | |
| At 1 January | **151,060,000** | **1,510** | 151,060,000 | 1,510 |
| | **–** | **–** | – | – |
| At 31 December | **151,060,000** | **1,510** | 151,060,000 | 1,510 |

All issued shares are fully paid.

## 7 Share premium account and reserves

| | Share premium account £000 | Merger reserve £000 | Share-based scheme reserve £000 | Profit and loss account £000 |
|---|---|---|---|---|
| At 1 January 2008 | 11,293 | 16,001 | 1,033 | (441) |
| Grant of warrants | – | – | 27 | – |
| Profit for the year | – | – | – | 162 |
| At 31 December 2008 | 11,293 | 16,001 | 1,060 | (279) |
| Release of options | | | | (18) |
| Profit for the year | – | – | – | 45 |
| At 31 December 2009 | **11,293** | **16,001** | **1,042** | **(234)** |

## 8 Reconciliation of movements in shareholders' funds

| | 2009 £000 | 2008 £000 |
|---|---|---|
| Shareholders' funds at 1 January | **29,585** | 29,396 |
| Profit for the financial year | **45** | 162 |
| Share based scheme reserve movement | **(18)** | 27 |
| Shareholders' funds at 31 December | **29,612** | 29,585 |

## 9 Capital commitments

The Company had no contracted capital commitments at 31 December 2009 (2008: £nil).

## 10 Contingencies

There were no contingent liabilities at 31 December 2009 (2008: £nil).

## 11 Transactions with Directors and other related parties

The Company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with Group undertakings.

There are no other related party transactions.

## 12 Result of the Company

The Company has taken advantage of the exemption available under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The profit of the Company for the year was £45,087 (2008: £161,841 profit).

# Notice of Annual General Meeting

## Biofutures International plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5712979)*

**Notice is hereby given that** an annual general meeting of the above named company (the "Company") will be held at the offices of Stephenson Harwood, One St Paul's Churchyard, London EC4M 8SH, United Kingdom at 10.00 a.m. on 25 June 2010 for the purpose of considering and, if thought fit, passing the following resolutions:

**AS ORDINARY BUSINESS**

**1.** To receive and adopt the accounts of the Company for the year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon.

**2.** To re-elect Julie Pomeroy as a Director.

**3.** To re-elect David Long as a Director.

**4.** To appoint Grant Thornton as auditors of the Company and to authorize the Directors to fix their remuneration.

**AS SPECIAL BUSINESS**

To consider, and if thought fit, pass the following resolutions as Ordinary Resolutions:-

**5.** That the Company and all companies that are its subsidiaries at any time during the period for which this resolution is effective are authorized for the purposes of section 366 of the Companies Act 2006 (the "Act") to:

**5.1** make political donations to political parties and/or independent election candidates (as such terms are defined in sections 363 and 364 of the Act), not exceeding £20,000 in aggregate;

**5.2** make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the Act), not exceeding £20,000 in aggregate; and

**5.3** incur political expenditure (as such term is defined in sections 365 of the Act), not exceeding £20,000 in aggregate,

during the period commencing on the date of this resolution and ending at the close of the next Annual General Meeting of the Company, and provided that the maximum amounts referred to in sub-resolutions 5.1, 5.2 and 5.3 may comprise sums in different currencies which shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.

**6.** That the Directors be and are hereby generally and unconditionally authorized in accordance with section 551 of the Act to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Act):

**6.1** up to an aggregate nominal amount of £503,533 (being one third of the nominal value of the issued share capital of the Company as at 17 May 2010, the latest practicable date before publication of this notice); and in addition

**6.2** up to a further aggregate nominal amount of £503,533 (being one third of the nominal value of the issued share capital of the Company as at 17 May 2010, the latest practicable date before publication of this notice) in connection with a rights issue in favour of ordinary shareholders in proportion, as nearly as practicable, to their existing holding, subject only to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territories or requirements of any recognised regulatory body or any stock exchange of any territory;

and this authority shall be in substitution for and replace any previous authority given to the Directors pursuant to section 80 of the Companies Act 1985, and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 15 months after the passing of this resolution save that the Company may, before such expiry, make any offer or agreement which would, or might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority so conferred had not expired.

# Notice of Annual General Meeting (continued)

To consider, and if thought fit, pass the following resolutions as Special Resolutions:-

**7.** That subject to the passing of resolution 6 above as an Ordinary Resolution, the Directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined by Section 560 of the Act) pursuant to the authority granted by resolution 6 above as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

**7.1** the allotment of equity securities in connection with or pursuant to an offer by way of a rights issue or any other pre-emptive offer in favour of ordinary shareholders in proportion as nearly as is practicable, to their existing holding, subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territories or requirements of any recognised regulatory body or any stock exchange in any territory; and

**7.2** the allotment (otherwise than pursuant to sub-resolution 7.1 above) of equity securities consisting of or related to ordinary shares up to an aggregate nominal amount of £302,120 or if less, twenty per cent of the issued ordinary share capital of the Company from time to time;

and this authority shall be in substitiution for and replace any previous authority given to Directors pursuant to section 95 of the Companies Act 1985, and shall expire at the conclusion of the Company's next Annual General Meeting or 15 months after the date of the passing of this resolution, whichever first occurs provided that the Company may, before such expiry, make any offer or agreement which would, or might, require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

**8.** That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares upon such terms and in such manner as the Directors shall determine, provided that:

**8.1** the maximum aggregate number of Ordinary Shares authorised to be purchased is 22,659,000 (representing 15 per cent of the total ordinary share capital of the Company in issue at 17 May 2010);

**8.2** the minimum price (exclusive of expenses) which may be paid for such Ordinary Shares is 1 penny per share;

**8.3** the maximum price (exclusive of expenses) which may be paid for an Ordinary Share cannot be more than an amount equal to 105 per cent of the average of the closing middle market price for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day the Ordinary Share is purchased;

**8.4** unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the passing of this resolution, whichever is the earlier; and

**8.5** the Company may make a contract or contracts to purchase Ordinary Shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

**9.** That

**9.1** the Memorandum and Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

**9.2** the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

**BY ORDER OF THE BOARD**
**Secretary**

.......................................................................................

**Julie Pomeroy**
19 May 2010
Biofutures International plc

# Notice of Annual General Meeting (continued)

*Notes:*

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Annual General Meeting ("AGM") and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to him/her.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

4. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, Shareholders who hold their shares in uncertificated form must be entered on the Company's share register by 10.00 a.m. on 23 June 2010 in order to be entitled to attend and vote at the AGM. Such Shareholders may only cast votes in respect of shares held at such time. Changes to entries on the register of members after such time on such date will be disregarded in determining the rights of any person to attend and vote at the AGM.

5. To be effective, a proxy form must be duly completed, executed and returned, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority, so as to reach the Company's registrars, Share Registrars Limited, Suite E, First Floor 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, United Kingdom (or faxed to Share Registrars Limited on 01252 719232) by 10.00 a.m. on 23 June 2010.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

7. The following documents will be available at the registered office of the Company on any weekday (except Saturday) during normal business hours from the date of this notice until the date of the AGM:

   7.1. a copy of the service agreements for the Executive Directors;

   7.2. a copy of the letters of appointment for the Non-Executive Directors; and

   7.3. a copy of the Company's existing Memorandum and Articles of Association and a copy of the proposed new Memorandum and Articles of Association marked up to show the differences from the existing documents.

   These documents will also be available for inspection during the AGM and for at least fifteen minutes before it begins.

# Notice of Annual General Meeting (continued)

**Notes**

**Resolution 1**

The Directors are required by law to present to the AGM the Accounts and the reports of the Directors and auditors for the year ended 31 December 2009.

**Resolutions 2 and 3**

To reappoint Julie Pomeroy and David Long as Directors who, in accordance with the Company's Articles of Association, are required to resign at the AGM and, being eligible, each offers themself for reappointment. The Board, following its evaluation of the performance of the Directors offering themselves for reappointment, confirms that each of the Directors is performing effectively and demonstrates commitment to their role.

**Resolution 4**

The re-appointment of the auditors is proposed. Following assessment of the audit service by the Audit Committee, the Board considers the auditors to be effective and independent in their role.

**Resolution 5**

It is not the policy of the Company to make donations (such as monetary donations, gifts and benefits in kind) to political parties, other political organisations and independent election candidates; or to incur political expenditure and the Directors confirm that this policy will remain. However, the political donations regime in the Act is drafted very broadly and could catch activities such as funding seminars and other functions to which politicians may be invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities (especially those whose objectives become a matter of major party political significance). The Directors decided to seek shareholder authority for political donations and expenditure to avoid inadvertent infringement in case any of its normal activities were caught by the legislation. Any political donation made or political expenditure incurred which is in excess of £2,000 will be disclosed in the Company's Annual Report for next year, as required by the Act.

**Resolution 6**

Under the Act the directors of a company may only allot unissued shares if authorized to do so. Passing this resolution will allow the Directors flexibility to act in the best interests of shareholders when opportunities arise by issuing new shares. In resolution 6.1 the Directors are seeking authority to allot shares with a nominal value of up to £503,533 which represents approximately one third of the Company's issued ordinary share capital. The Directors intend to use this authority, which will lapse at the conclusion of the next Annual General Meeting of the Company or, if earlier, 25 September 2011, for general corporate purposes. The authority in resolution 6.2 would permit the Directors to issue securities up to a further aggregate nominal amount of £503,533, pursuant to a rights issue on a pre-emptive basis, which is in accordance with current ABI guidance.

**Resolution 7**

If shares are to be offered for cash, the Act requires that those shares are offered first to the existing shareholders in proportion to the number of shares they hold at the time of the offer. However, it may sometimes be in the interests of the Company for the Directors to allot shares other than to shareholders in proportion to their existing holdings. This resolution authorises the Board, subject to specified limits:

- to allot shares in connection with a rights issue, defined in summary as an offer of equity securities to shareholders which is open for a period decided by the Board subject to any limits or restrictions which the Board thinks are necessary or appropriate;

- for allotments of shares not in connection with a rights issue so that the pre-emption requirement does not apply to the allotments of shares for cash up to a maximum nominal value amount of £302,120. This authority lapses on conclusion of the next Annual General Meeting of the Company, or, if earlier, on 25 September 2011.

This means that the interests of existing shareholders are protected. If a share issue is not a rights issue the proportionate interest of existing shareholders could not without their agreement be reduced by more than 20 per cent of the value of the new shares in cash to new shareholders by reference to the issued share capital at the date of this notice. There are no current plans to allot shares except in connection with the share schemes or existing stand alone option agreements.

# Notice of Annual General Meeting (continued)

**Resolution 8**

This resolution seeks to grant the Directors authority to make market purchases of the Company's own Ordinary Shares, up to a maximum aggregate number of 22,659,000 shares being an amount equal to approximately 15 per cent of the current issued share capital of the Company. The maximum price payable would be an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share of the Company for the five business days immediately preceding the date of purchase and the minimum price would be the nominal value of 1p per share. This authority lapses on conclusion of the next Annual General Meeting of the Company, or, if earlier, on 25 September 2011. Any ordinary shares purchased by the Company pursuant to this authority would either be cancelled or held in treasury.

Although the Directors have no current intention to make such purchases, they consider that it is in the best interests of the Company and its shareholders to keep the ability to make market purchases of the Company's own shares in appropriate circumstances, without the cost and delay of a General Meeting. The authority would only be exercised if the Directors believe the purchase would enhance earnings per share and be in the best interests of shareholders generally.

**Resolution 9**

It is proposed in resolution 9 to amend the existing Articles of Association (the "Existing Articles") in order to update the Existing Articles primarily to take account of changes in English company law brought about by the coming into force of the Shareholders' Rights Regulations and the implementation of the last parts of the Companies Act. However, the Directors are also taking the opportunity to change the borrowing limits in the Articles (see sub-paragraph (x) below).

The amended Articles of Association (the "New Articles") are a replacement of (rather than a series of amendments to) the Existing Articles. The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some other minor changes which merely reflect changes made by the Act and the Shareholders' Rights Regulations have not been detailed.

The New Articles showing the changes to the Existing Articles are available for inspection at the offices of Stephenson Harwood, One St Paul's Churchyard, London EC4M 8SH, United Kingdom or on the Company's website **www.biofuturesplc.com.**

**(i) The Company's objects**

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum of Association contains, among other things, the objects clause which sets out the scope of the activities the Company is authorized to undertake. This is drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's Memorandum of Association. The Act provides that a Memorandum of Association will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act the objects clause and all other provisions which are contained in a company's Memorandum of Association, for existing companies at 1 October 2009, are deemed to be contained in the company's Articles of Association but the company can remove these provisions by special resolution.

Further, the Act states that, unless a company's Articles of Association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum of Association which, by virtue of the Act, have been treated as forming part of the Company's Articles of Association. Resolution 9.1 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

**(ii) Change of name**

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Act a company will be able to change its name by other means provided for by its Articles of Association. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

**(iii) Authorized share capital and unissued shares**

The Act abolishes the requirement for a company to have an authorized share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act.

# Notice of Annual General Meeting (continued)

**(iv) Use of seals**

Under the Companies Act 1985, a company required authority in its Articles of Association have an official seal. Under the Act, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one director in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors.

**(v) Vacation of office by Directors**

The Existing Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

**(vi) Voting by proxies on a show of hands**

The Shareholders' Rights Regulations have amended the Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles contain provisions which reflect these changes.

**(vii) Voting by corporate representatives**

The Shareholders' Rights Regulations have amended the Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments. The New Articles remove provisions in the Existing Articles dealing with voting by corporate representatives on the basis that there are dealt with in the Act.

**(viii) Electronic conduct of meetings**

Amendments made to the Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles contain provisions which reflect more closely the relevant provisions.

**(ix) Chairman's casting vote**

The New Articles remove the provision giving the Chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Act.

**(x) Changes to limitations on borrowings**

New Article 126 (B) increases the former borrowing limit contained in the Existing Articles of 200 per cent of the aggregate of the amount paid up on the issued share capital for the time being of the Company and the amounts standing to the credit of the reserves of the Group (including any share premium account, capital redemption reserve and the amount standing to the credit of the profit and loss account but after deducting any deficit on the profit and loss account) to 300 per cent of the same. The Directors feel this is necessary to take account of volatile exchange rates and the Company's potential working capital requirements over the next 12 months.

Biofutures

Biofutures International plc
*Company Registration No: 05712979*

# Form of Proxy

For use at the Annual General Meeting to be held at the offices of Stephenson Harwood, One St Paul's Churchyard, London EC4M 8SH, United Kingdom at 10.00 a.m. on 25 June 2010 ("AGM").

**Please insert full name** I/We ........................................................................................................
*(block letters)*

**and address** of ........................................................................................................
*(block letters)*

being (an) Ordinary Shareholder(s) of the Company hereby appoint: the Chairman of the AGM* /

..............................................................of..............................................................
*(please insert name and address in block letters)*

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the AGM to be held on 25 June 2010 at 10.00 a.m. and at any adjournment thereof.

I/We direct the proxy to vote on the resolutions set out in the Notice convening the AGM as follows:

**Please indicate how you wish your proxy to vote by placing a tick in the appropriate space. Unless otherwise indicated the proxy will exercise his discretion as to how he votes and whether or not he abstains from voting.**

| | **Ordinary Resolutions** | **For** | **Against** | **Vote Withheld** |
|---|---|---|---|---|
| 1. | To receive and adopt the Report and Accounts | | | |
| 2. | To re-elect Julie Pomeroy as a Director | | | |
| 3. | To re-elect David Long as a Director | | | |
| 4. | To re-appoint Grant Thornton as Auditors and to authorize the Directors to fix their remuneration | | | |
| 5. | To authorize the Company to make political donations and/or incur political expenditure | | | |
| 6. | To authorize the Directors to allot shares | | | |
| | **Special Resolutions** | **For** | **Against** | **Vote Withheld** |
| 7. | To disapply pre-emption rights | | | |
| 8. | To authorize the Company to make market purchases of its own shares | | | |
| 9. | To amend the Memorandum and Articles of Association and adopt new Articles of Association | | | |

**Questions for AGM**
Please use the space below to detail any questions you may wish asked at the AGM.

........................................................................................................

........................................................................................................

Dated ..................................................................................2010

Signature ..................................................................................

* *If you wish to appoint some other person as your proxy, please insert the name and address where indicated and delete the words "the Chairman of the AGM"*

**Notes:**

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a notice of AGM with this proxy form. You can only appoint a proxy using the procedures set out in these proxy form notes and the notes to the notice of AGM.
2. A proxy does not need to be a member of the Company but must attend the AGM to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name and address where indicated and delete the words "the Chairman of the AGM" where indicated with the asterisk. If you sign and return this proxy form without indicating such other person, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. To be effective, this proxy form must be duly completed, executed and returned, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority, so as to reach the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, United Kingdom (or faxed to Share Registrars Limited on 01252 719232) by 10.00 a.m. on 23 June 2010.
5. In the case of a corporation, this proxy form must be executed either under a common seal or under the hand of an officer or attorney duly authorized in writing.
6. To direct your proxy how to vote on the resolutions mark the appropriate box with a tick. To abstain from voting on a resolution, tick the relevant "Vote Withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy may vote or abstain from voting at his or her discretion on the resolution and any other business conducted at the meeting.

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, United Kingdom. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Share Registrars Limited by no later than 23 June 2010 at 10.00 a.m. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

*Third fold and tuck in*

**Affix Stamp**

Share Registrars Limited
Suite E, First Floor
9 Lion and Lamb Yard
Farnham
Surrey GU9 7LL
United Kingdom

*First fold*

*Second fold*

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