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If you have sold or transferred all your Existing Ordinary Shares in Biofutures International plc ("Biofutures" or the "Company"), you should send this document, together with the accompanying Form of Proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan. If you have sold or transferred only part of your holding of Existing Ordinary Shares you should retain this document and the accompanying Form of Proxy.

This document, which comprises an AIM admission document, has been prepared in accordance with the rules of the AIM market of the London Stock Exchange plc ("AIM"). In accordance with the AIM Rules, application will be made for admission of the Enlarged Share Capital to trading on AIM in accordance with the Proposals outlined in this document and it is expected that admission of such shares will occur by 24 November 2006. This document does not constitute an offer of transferable securities to the public within the meaning of section 102B of FSMA and therefore this document is not an approved prospectus for the purposes of and as defined in section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and has not been approved by the Financial Services Authority ("FSA") or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

The Directors and the Proposed Directors, whose names are set out on page 4 of this document, accept responsibility, individually and collectively, for the information contained in this document save for the recommendation on page 17 for which the Directors take sole responsibility. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Biofutures International plc

(Incorporated under the Companies Act 1985 with registered number 5712979)

Proposed acquisition of Zurex Corporation Sdn. Bhd.

Approval of waiver of obligations under Rule 9

of the City Code on Takeovers and Mergers

Placing of 44,200,000 Placing Shares at 25p per share

Adoption of Long Term Incentive Plan

Application for admission of the Enlarged Share Capital to AIM

Notice of Extraordinary General Meeting

Nominated Adviser

Ruegg & Co Limited

Broker

Hichens, Harrison & Co plc

Share Capital of the Company immediately following Admission

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>
£2,500,000	250,000,000	£1,477,300	147,730,000

Ordinary Shares of 1p each

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority ("UKLA"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange plc or the UKLA has examined or approved the contents of this document.

Prospective investors should read the whole text of this document. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Your attention is drawn to Part 3 of this document which sets out certain risk factors relating to any investment in the Company. All statements regarding the Enlarged Group's business, financial position and prospects should be viewed in the light of the risk factors set out in Part 3 of this document.

Ruegg & Co Limited is the nominated adviser to the Company for the purposes of the AIM Rules. Ruegg & Co Limited, which is authorised and regulated in the United Kingdom in the conduct of investment business by the FSA, is acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Ruegg & Co Limited or for advising any other person on the contents of this document or any matter referred to herein. Ruegg & Co Limited's responsibilities as the nominated adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or Proposed Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this document.

Hichens, Harrison & Co plc is the broker to the Company for the purposes of the AIM Rules. Hichens, Harrison & Co plc, which is authorised and regulated in the United Kingdom in the conduct of investment business by the FSA, is acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Hichens, Harrison & Co plc or for advising any other person on the contents of this document or any matter referred to herein.

This document does not constitute an offer to sell, or a solicitation to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not to be taken, transmitted or distributed, directly or indirectly, in or into the United States, Canada, Australia, the Republic of South Africa or Japan or any other country outside of the United Kingdom where that may lead to a breach of any legal or regulatory requirements. Neither the Placing Shares, the Consideration Shares nor the Ordinary Shares have been nor will they be registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Placing Shares, the Consideration Shares and the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States, Canada, Australia, the Republic of South Africa or Japan or to any US person (within the meaning of the regulations made under the US Securities Act 1933 (as amended)) or to any person with an address in Canada, Australia, the Republic of South Africa or Japan.

This document has not been and will not be registered with the Monetary Authority of Singapore. The Offering is being made pursuant to exemptions under Sections 274 and 275 of the Singapore Securities and Futures Act (Cap. 289) ("SFA"). Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Ordinary Shares may not be circulated or distributed, nor may the Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (i) to an institutional investor under Section 274 of the SFA;
- (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

It should be noted that subsequent sales of securities are subject to applicable restrictions set out in the SFA including in Section 276 thereof.

Notice of an Extraordinary General Meeting ("EGM") of the Company to be held at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE at 11 a.m. on 23 November 2006 is set out at the end of this document. A Form of Proxy for use at the EGM accompanies this document and, to be valid, must be completed and returned to the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN, as soon as possible but in any event to be received not later than 11 a.m. on 21 November 2006 or 48 hours before any adjourned meeting. Completion of a Form of Proxy will not preclude a Shareholder from attending and voting at the EGM in person.

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ACQUISITION AND PLACING STATISTICS

Consideration Shares to be issued	66,670,000
Gross proceeds raised by the Placing (assuming all of the Placing Shares are issued)	£11,050,000
Estimated net proceeds of the Placing receivable by the Company	£10,080,000
Placing Shares to be issued	44,200,000
Total number of New Ordinary Shares to be issued	110,870,000
Placing Price	25p
Number of Ordinary Shares in issue immediately following completion of the Acquisition and the Placing	147,730,000
Percentage of Enlarged Share Capital represented by the Consideration Shares	45.13%
Percentage of Enlarged Share Capital represented by the Placing Shares	29.92%
Existing Ordinary Shares as a percentage of the Enlarged Share Capital	24.95%
Market capitalisation of the Company at the Placing Price on Admission	£36,932,500

Where applicable, an exchange rate of £1 to approximately 6.90RM is used, being the Bank of England's daily spot rate as at 25 October 2006, being the latest practicable date prior to the publication of this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of the admission document	30 October 2006
Latest time and date for receipt of completed Forms of Proxy for the EGM	11 a.m. on 21 November 2006
Extraordinary General Meeting	11 a.m. on 23 November 2006
Completion of the Acquisition	24 November 2006
Admission effective and expected commencement of dealings on AIM in the Ordinary Shares	24 November 2006
Expected date for CREST accounts to be credited	24 November 2006
Despatch of definitive share certificates by no later than	8 December 2006

DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors	Nicholas Wilding Gee <i>Executive Chairman</i> Julie Patricia Pomeroy <i>Finance Director</i> Phillip John Carter <i>Non-executive Director</i> Christopher Ronald Price <i>Non-executive Director and Senior Independent Director</i>
	All of 8-12 Priestgate, Peterborough PE1 1JA
Proposed Directors	Wong Kai Fatt <i>Non-executive Director</i> Lim Kwee Gee <i>Non-executive Director</i>
Registered Office	8-12 Priestgate Peterborough PE1 1JA
Company Secretary	Stuart Manning
Nominated Adviser	Ruegg & Co Limited 39 Cheval Place London SW7 1EW
Broker	Hichens, Harrison & Co. plc Bell Court House 11 Blomfield Street London EC2M 1LB
Auditors and Reporting Accountants	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
Legal Advisers to the Company in the UK	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Legal Advisers to the Company in Malaysia	Mah-Kamariyah & Philip Koh No. 3, Persiaran Hampshire, Off Jalan Ampang 50450 Kuala Lumpur Malaysia
Legal Advisers to the Placing and Admission	Moore & Blatch 11 The Avenue Southampton Hampshire SO17 1XF
Consulting Engineers	Rekanan Jurutera Perunding Sdn. Bhd. 157A Jalan Maharajalela 50150 Kuala Lumpur Malaysia
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy, unless the context otherwise requires:

“Acquisition”	the proposed acquisition by the Company of Zurex as described in this document
“Acquisition Agreement”	the conditional agreement dated 28 July 2006 between the Company and the Vendors relating to the Acquisition, further details of which are set out in paragraph 8.1 of Part 7 of this document
“Act”	the Companies Act 1985, as amended
“Admission”	admission of the entire ordinary share capital of the Company issued and to be issued pursuant to the Acquisition and the Placing to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules and guidance notes for AIM companies and their nominated advisers issued by the London Stock Exchange from time to time relating to AIM traded securities and the operation of AIM
“Articles”	the articles of association of the Company as in force at the date of this document as further described in Part 7 of this document
“ASEAN”	Association of South East Asian Nations
“Board” or “Directors”	the board of directors of the Company whose names are set out on page 4 of this document
“Combined Code”	the Principles of Good Governance and the Combined Code on Corporate Governance, published in June 2006 by the Financial Reporting Council appended to but not forming part of the Listing Rules of the UK Listing Authority
“Company” or “Biofutures”	Biofutures International plc, a company registered and incorporated in England and Wales under number 5712979
“Completion”	completion of the Acquisition Agreement in accordance with its terms
“Concert Party”	the following persons who are all of the shareholders of Zurex Yeoh Keat Hoe NRIC No. 610212-10-5209 of No. 28, Jalan Kubah U8/64, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan Malaysia Wong Kai Fatt NRIC No. 641126-10-6629 of No. 47, Jalan Kenanga SD 9/8, Bandar Sri Damansara, 52200 Kuala Lumpur Malaysia Lim Kwee Gee NRIC No. 730420-01-5781 of No. 14 Jalan Sakeh, 84000 Muar, Johor Malaysia Chong Kim Chan NRIC No. 691220-03-5105 of D-12-03, Prima Duta Condominium of Jalan Segambut, 51200 Kuala Lumpur Malaysia Loh Peng Chai NRIC No. 720202-10-5587 of 22 Lorong Pikrama 2, Seri Petaling 57000 Kuala Lumpur Malaysia

Ong Chong Yong
Singapore IC No. S7316054E
of Apt Blk 18, Jalan Tenteram #21-132
Singapore 321018

“Consideration Shares”	66,670,000 new Ordinary Shares to be issued to the Vendors on Completion as consideration under the Acquisition Agreement
“CREST”	the electronic settlement system to facilitate the holding and transfer of title to shares in uncertificated form operated by CRESTCo
“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, notice of which is set out at the end of this document
“Enlarged Share Capital”	all of the issued Ordinary Shares immediately following the Admission
“Enlarged Group”	the Company and its subsidiary immediately following Completion
“EU”	European Union
“Existing Ordinary Shares”	the existing Ordinary Shares of the Company in issue immediately prior to the Admission
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Hichens, Harrison”	Hichens, Harrison & Co. plc
“Land Acquisition Agreement”	the agreement dated 18 September 2006 between Zurex and POIC relating to the sale and purchase of the Site
“IPO Admission”	the admission of Ordinary Shares to trading on AIM on 5 May 2006
“Lock-In Agreements”	the conditional agreements dated 27 October 2006 between, the Company and Hichens, Harrison and each of the Lock-In Persons, details of which are set out in paragraph 10 of Part I and paragraph 8.6 of Part 7 of this document
“Lock-In Persons”	the Concert Party (including for the avoidance of doubt the Proposed Directors), and the Directors
“London Stock Exchange”	London Stock Exchange plc
“Long Term Incentive Plan” or “LTIP”	the Biofutures long term incentive plan
“Lurgi”	Lurgi AG and associated companies, including JJ-Lurgi Engineering Sdn. Bhd., engaged in the design and construction of plants to produce palm oil biodiesel
“New Ordinary Shares”	the Consideration Shares and the Placing Shares
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Panel”	The Panel on Takeovers and Mergers
“Placing”	the conditional placing of the Placing Shares on behalf of the Company at the Placing Price pursuant to the Placing Agreement
“Placees”	those persons subscribing for Placing Shares pursuant to the Placing at the Placing Price
“Placing Agreement”	the conditional agreement dated 27 October 2006 between the Company (1), the Directors (2), the Proposed Directors (3) and Hichens, Harrison (4) relating to the Placing, details of which are set out in paragraph 8.2 of Part 7 of this document
“Placing Price”	25 pence per share, being the price at which each Placing Share is to be issued under the Placing

“Placing Shares”	the 44,200,000 new Ordinary Shares to be issued pursuant to the Placing
“Plant”	construction of a 200,000 tonnes per annum plant for the production of palm oil biodiesel at the Site
“POIC”	POIC Sabah Sdn. Bhd., an entity set up by the Sabah regional government of Malaysia to develop palm oil downstream processing (POIC stands for Palm Oil Industrial Cluster)
“Proposals”	the Acquisition, the Placing, the Waiver, approval of the LTIP and Admission
“Proposed Directors”	Wong Kai Fatt (<i>Vendor</i>) and Lim Kwee Gee (<i>Vendor</i>)
“Register”	the register of Shareholders kept at Craven House, West Street, Farnham, Surrey GU9 7EN
“Registrars”	Share Registrars Limited
“Resolutions”	the resolutions contained in the notice of EGM set out at the end of this document
“RM”	Malaysian Ringgit, the currency of Malaysia
“Ruegg & Co”	Ruegg & Co Limited
“Share Dealing Code”	the share dealing code adopted by the Company to ensure compliance with Rule 21 of the AIM Rules
“Shareholders”	the persons who are registered as holders of Ordinary Shares
“Site”	a 50 acre plot of land at Lahad Datu, Sabah Malaysia to be purchased by Zurex from POIC pursuant to the Land Acquisition Agreement
“Takeover Code”	The City Code on Takeovers and Mergers
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purpose of Part VI of the FSMA
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States”	United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction
“VAT”	value added tax
“Vendors”	being all of the members of the Concert Party who are selling the entire issued share capital of Zurex pursuant to the Acquisition Agreement
“Waiver”	the waiver (further details of which are set out on pages 14 to 15 of this document) of the obligations on the Concert Party to make a general offer under Rule 9 of the Takeover Code which may arise as a consequence of the issue of Consideration Shares granted by the Panel conditional upon the approval of the Shareholders by the passing of the Waiver Resolution
“Waiver Resolution”	Resolution 3 set out in the notice of EGM at the end of this document
“Warrants”	the warrants to subscribe for Ordinary Shares, further details of which are set out in paragraph 8.5 of Part 7
“Zurex”	Zurex Corporation Sdn. Bhd. a company incorporated and registered in Malaysia under the Malaysian Companies Act 1983 with registered number 716231-V
“£” or “pound”	UK pounds sterling

PART 1

LETTER FROM THE CHAIRMAN

Biofutures International plc

(Registered and incorporated in England and Wales No.5712979)

Directors:

Nicholas Wilding Gee (*Chairman*)
Julie Patricia Pomeroy (*Finance Director*)
Phillip John Carter (*Non-executive Director*)
Christopher Ronald Price (*Non-executive Director*)

Registered Office

8-12 Priestgate
Peterborough PE1 1JA

Proposed Directors:

Wong Kai Fatt
Lim Kwee Gee

30 October 2006

Dear Shareholder

**Proposed acquisition of Zurex Corporation Sdn. Bhd.
Approval of waiver of obligations under Rule 9 of The City Code on Takeovers and Mergers
Placing of 44,200,000 Placing Shares at a price of 25p per share
Adoption of Long Term Incentive Plan
Application for admission of the Enlarged Share Capital to AIM
Notice of Extraordinary General Meeting**

1. Introduction

The Company's shares were suspended from trading on AIM on 1 June 2006 following press speculation concerning the possible acquisition of a biodiesel plant in Malaysia. On 28 July 2006, the Company announced that it had entered into a conditional agreement to acquire Zurex, a Malaysian company formed in November 2005 which holds a licence to produce biodiesel derived from palm oil in Malaysia. Zurex has also entered into a contract with POIC to acquire the Site on which it intends to construct a 200,000 tonnes per annum biodiesel plant.

The Company has today announced that it intends, by way of a placing of 44,200,000 Placing Shares, at a price of 25p per share, to raise £11,050,000 before expenses. The expected net proceeds of the Placing of £10,080,000 will be applied to acquire the Site and to commence construction of the Plant.

The consideration for the Acquisition is the allotment and issue by the Company to the Vendors of 66,670,000 Ordinary Shares, credited as paid up at the Placing Price which values Zurex at approximately £16.67 million. Further details of the Acquisition Agreement are set out below in paragraph 8 of this Part 1 and in paragraph 8.1 of Part 7 of this document.

The Acquisition will constitute a reverse takeover under the AIM Rules and is therefore conditional (inter alia) upon the approval of Shareholders in general meeting. A reverse takeover also involves the cancellation of the Company's shares from trading on AIM and a new application to be made for the Enlarged Share Capital to be admitted to trading on AIM.

Following Completion, the Concert Party will be the beneficial owners of 66,670,000 Ordinary Shares in the Company, representing approximately 45.13 per cent. of the Enlarged Share Capital (assuming that all of the Placing Shares are issued). Shareholders will also therefore be asked to vote on a resolution to approve a Waiver by the Panel of any obligation on the part of members of the Concert Party to make a general offer to Shareholders under Rule 9 of the Takeover Code arising from the issue to members of the Concert Party of the Consideration Shares pursuant to the Acquisition Agreement.

The purpose of this document is to set out the reasons for, and details of, the Acquisition, the Placing and Waiver, to explain why the Directors consider the Proposals (including the adoption of the Long Term Incentive Plan) to be in the best interests of the Company and its Shareholders as a whole, and to seek

Shareholder approval for the Proposals. This document also contains the Directors' recommendation that you vote in favour of the Resolutions to be proposed at the EGM convened for 11 a.m. on 23 November 2006, notice of which is set out at the end of this document.

You should read the whole of this document and your attention in particular is drawn to the risk factors set out in Part 3 of this document.

2. Information on Biofutures

Biofutures was incorporated on 17 February 2006 and admitted to trading on AIM on 5 May 2006. Biofutures is an investment company and has been seeking to establish, invest in or acquire assets, businesses or companies in the Asian and European renewable fuels industries. As at 29 September 2006 Biofutures had cash at bank of £2,403,407.

3. Background to and reasons for the Acquisition and the Placing

Since IPO Admission the Directors have been reviewing various options in line with the Company's investment and acquisition strategy. The Directors believe that the Acquisition will allow Shareholders to participate in the Enlarged Group which combines Zurex's right to acquire the Site and licence to manufacture palm oil biodiesel, with the Company's ability to access the capital markets. The proceeds of the Placing together with the Company's existing cash resources will enable the construction of the Plant to commence. The Directors believe that the Site can accommodate the construction of further plant taking the total capacity of the Site up to a capacity of 1 million tonnes of palm oil biodiesel per annum subject to any consent that may be required.

Further details of Zurex are set out in Part 2 of this document and further details on the terms on which the Company has agreed to acquire the shares in Zurex are set out in paragraph 8.1 of Part 7 of this document.

4. Biodiesel market

Biodiesel has been in commercial production in Europe since 1991 and in the United States since 1998. In this time, it has emerged as a "clean" and "renewable" alternate fuel that boasts a number of advantages over conventional mineral diesel and other fuel options:

- renewable fuel, non-toxic and rapidly biodegradable
- produces almost 80 per cent. less lifecycle CO₂ emissions than mineral diesel
- helps toward lower particulate exhaust emissions and reduces carcinogenic impact
- improves lubricity, even in blends with low-sulphur diesel
- higher cetane number than mineral diesel, thus ensuring quick engine start-up in cold climates
- can be used without modification to the engine
- in a low percentage blend, it can be supplied using the existing fuel supply infrastructure through standard diesel pump equipment
- its high flashpoint makes it a safer fuel to handle than any conventional fuel

Major Markets

The European market is currently the most well developed biodiesel market due to the legislative environment for use of renewable fuels in road transport and the implied growth this legislation demands. It also has distributor support and consumer acceptance. Germany, France and Italy are the largest consumer markets among the Member States of the EU. As such Europe is currently the main target market. An EU directive of 5.75 per cent. biofuels consumption by 2010 should push demand from 6 million tonnes to nearly 14 million tonnes per annum in Europe. The Directors believe the rapid development of other geographical markets, including those in Asia and the USA (the latter intends to raise biofuels use to 4 per cent. by 2012) will continue over the next 18 months. The location of the Plant in Malaysia offers the Enlarged Group significant advantages in accessing these alternative markets. Malaysia is the world's largest palm oil producer and is geographically well-placed for all biodiesel markets in Europe, the USA and Asia.

Based on the legislative targets of various countries, global biodiesel demand is expected by the Directors to at least treble by 2010.

Your attention is drawn to the overview of the international legislative framework for the production of biodiesel, particularly within the EU, which is set out in the Risk Factors on pages 22 and 23 of this document.

Feedstock

Biodiesel can be produced from a variety of feedstocks including vegetable oils such as rapeseed oil, sunflower oil, palm oil, soybean oil, coconut oil, jatropha, tallow and waste cooking oil. In Europe, over 75 per cent. of biodiesel production volume utilises rapeseed oil as a feedstock. The Enlarged Group intends to use palm oil which has a far higher yield per acre than any other current vegetable oil and which is abundant in its proposed area of operation. However, the Plant will be capable of using other feedstocks, subject to the Enlarged Group obtaining a variation to the terms of the manufacturing licence which currently only permits biodiesel to be manufactured from palm oil. There can be no assurances that such licence will be granted.

Despite the EU 6.5 per cent. import tariff and recent tax changes in Germany, the European market is still the most commercially attractive due to the relative prices of palm oil feedstock compared with domestic EU feedstock of rapeseed oil.

Blending

Biodiesel may be utilised in a pure form (B100) or blended with mineral diesel in a variety of proportions. B5 (a blend containing 5 per cent. biodiesel and 95 per cent. mineral diesel) is commonly supplied in Europe. The Directors and Proposed Directors anticipate that as the European renewable fuels targets are raised, the commonly supplied blend ratio is also likely to rise. It is also anticipated that the end market for most of the palm oil biodiesel produced by the Plant in the early stage will be sold into the B5 (distribution to all motorists through high street filling stations) and B5+ (usually for distribution to centrally fuelled fleets) markets.

In some market segments there is a requirement to deliver biodiesel to European standard EN14214. Biofutures intends to produce palm oil biodiesel to EN14214 specification with the exception of the cold filter plugging point (CFPP). For retail blends of B5 biodiesel or below, the CFPP properties of the blend become indistinguishable from those of the petroleum diesel fuel in the blend. Thus the blend meets the required diesel specification. In practice most biodiesel is sold blended with petroleum diesel, typically in B5 and B20 proportions. Such biodiesel blends have been used in a variety of climates, including extreme cold, without cold flow problems.

By-product

The production of palm oil biodiesel yields glycerine as a by-product equivalent to approximately 11.7 per cent. by volume of biodiesel produced. Glycerine is a bulk commodity chemical with a wide variety of end uses, primarily in the food, healthcare and pharmaceutical industries. Historically the glycerine market has been volatile and is currently experiencing over-supply. The Directors believe that the demand for glycerine will grow as supply becomes more stable, market prices fall and it becomes accepted as a substitute for other products such as sorbitol. However, in view of the currently uncertain nature of the glycerine market, the Company does not intend to construct a pharmaceutical grade glycerine distillation unit before the Plant becomes operational. The Company intends periodically to review the position and will commission a pharmaceutical grade glycerine distillation unit when it is considered economically justified to do so.

5. Bank Finance

The net proceeds of the Placing of approximately £10,080,000 and together with the existing cash resources of £2.4 million will provide sufficient working capital to the Company for the twelve months following Admission. However, the Directors and Proposed Directors have estimated that the total cost of construction of the Plant is £40 million and therefore the Company will need to obtain additional finance in order to complete the construction of the Plant. The Directors and Proposed Directors have been in discussions with various banks. The Directors and Proposed Directors believe that the Company will obtain bank finance on acceptable terms and they aim to achieve this by early 2007. The Company will not commit to expenditure beyond its cash resources unless and until sufficient bank funding is in place to fund fully the construction of the Plant and working capital requirements during the construction period.

If sufficient bank facilities are not entered into, and other forms of financing are not found, the Company may decide not to proceed further with the construction of the Plant and instead to seek, subject to obtaining POIC's permission, to sell its rights to the development of the Plant to a third party and to return its remaining cash resources to Shareholders or obtain Shareholder consent to make an alternative investment.

6. Estimated project costs including use of proceeds of the Placing

In combination with bank finance and the Company's existing cash reserves, it is the Directors' current intention to use the proceeds of the Placing as follows:

	<i>£m</i>
Purchase of the Site	4.0
Construction contract	6.2
Site buildings and IT	4.0
Process infrastructure	6.0
Construction, engineering and commissioning	1.5
Additional infrastructure relating to POIC	2.3
Working capital	12.0
Contingency	4.0
	<hr/>
	40.0
	<hr/>

7. Strategy

Biofutures' commercial strategy is to process palm oil (being the lowest cost pure feedstock) for the production of biodiesel. By selecting a production site in Malaysia the Directors believe this will achieve both security of palm oil supplies and geographical accessibility to a choice of key sales markets, namely the Far East, Europe and the USA. The Site has also been selected for its location within a developing key palm oil logistic hub with a deep water port.

The Company intends to sell 100 per cent. palm methyl ester (B100 biodiesel) to wholesalers, blenders or petroleum refiners who will then blend the Company's biodiesel (and possible other biodiesels) with petroleum diesel to produce blends such as B5 to the relevant market fuel standard.

The Directors have been in discussions with Lurgi, one of the world's market leaders in the construction of biodiesel plants, and will deploy proven technology in the Company's Plant. Regarding construction, commission and expansion of the Plant, the Company will call on the skills of its experienced oil industry capital project management team, whilst concurrently building operations and marketing teams.

The size of the Site, on which the Plant is expected to commence operations with a capacity of 200,000 tonnes per annum, is large enough to provide sufficient suitable land to expand the Plant to 1,000,000 tonnes per annum capacity should demand and economics dictate and subject to obtaining any necessary regulatory consents.

Following Admission, the Company will seek to put in place feedstock supply and product off-take agreements as market conditions and the approaching Plant commissioning date dictate. As at the date of Admission, the Company has assumed no revenue from by-product streams given the recent decline in glycerine prices and has no current intention to construct a pharmaceutical grade glycerine distillation unit.

8. Principal Terms of the Acquisition

On 28 July 2006, the Company entered into the Acquisition Agreement with the Vendors whereby the Company conditionally agreed to acquire the entire issued share capital of Zurex. Under the terms of the Acquisition Agreement the Company has agreed to issue and allot, on Completion, the Consideration Shares to the Vendors credited fully paid at the Placing Price which values Zurex at approximately £16.67 million. No cash consideration will be paid. The Vendors have given certain commercial warranties relating to Zurex. The Acquisition is conditional, inter alia, on the passing of the Resolutions.

Upon Completion, the Proposed Directors (being two of the Vendors) will be appointed as non-executive directors of the Company.

The Consideration Shares will represent 45.13 per cent. of the Enlarged Share Capital and will, when issued, rank pari passu in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following Admission.

Further details of the Acquisition Agreement are set out in paragraph 8.1 of Part 7 of this document.

9. Directors, Proposed Directors and Senior Management

Brief biographical details of the Directors and Proposed Directors are set out below.

Directors

Nicholas Wilding Gee, (aged 43), Executive Chairman

Nicholas Gee graduated with a 1st class honours degree in chemical engineering from the University of

Birmingham, and holds an MBA with distinction from Warwick Business School. He established Cobalt Blue in June 2004 to pursue investment opportunities in the oil and gas exploration and production sector, and in this regard has worked internationally with large and small oil and gas operating and service companies. Prior to this he held a number of senior roles in the oil and gas service sector. Between 2000 and 2004 he was Vice President of Weatherford International, driving substantial growth in their international sales. He began his career as a petroleum engineer with BP working in oil and gas exploration and production.

Julie Patricia Pomeroy, (aged 51), 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 this, 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.

Phillip John Carter, (aged 44), Non-executive Director

Phillip Carter graduated with an honours degree in chemistry from Southampton University. He founded Carter & Carter Limited in 1992, since which time he has driven the group's substantial growth, both in the UK and overseas, and has overseen a number of successful acquisitions and their successful integration. Carter & Carter Group plc was floated on the Official List of the London Stock Exchange in February 2005. Prior to establishing Carter & Carter Limited, he worked in a number of sales and marketing roles at ICI before becoming European Business Development Manager of the Paints Division of ICI.

Christopher Ronald Price, (aged 45), Non-executive Director and Senior Independent Director

Christopher Price graduated with an honours degree in accounting and economics from Southampton University. He qualified as a Chartered Accountant in 1986. He has considerable experience of managing financial matters within SME's. More recently, he has worked in senior financial roles within multinational corporations operating in the IT industry, embracing wide-ranging general management responsibilities on a pan-European basis. He has occupied his current position, Finance Director of Epson UK Limited, since 2001, during which time that company has enjoyed growth in both its home and export markets.

Proposed Directors

Wong Kai Fatt (aged 41), Non-executive Director

Kai Fatt holds a degree in computer science and a doctorate in pharmacy and healthcare administration from the University of Louisiana. He is currently on the board of eAssetManagement SB, Fullerton Investment Ltd, Ethical Plantations SB, Medi-Flex Ltd and a number of inactive private 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 research.

Lim Kwee Gee (aged 33), Non-executive Director

Kwee Gee holds a degree in computer science from The National University of Singapore. He is currently on the board of ANC Group Pte Ltd, I-Invest Pte Ltd and Medi-Flex Ltd. His previous directorships include ECO Water Ltd, Labis Resources SB and Tropical Interest SB among others. Prior to this, he held a number of senior analytical roles in the financial services sector.

Senior Management

Wayne Rudd (aged 40), Projects Manager

Wayne Rudd is a professional business manager who is currently chief executive officer and board member of TubeFuse Applications, a Shell Technology Ventures company. Wayne joined Weatherford International as Vice President in 1999, a position he held for six years, operating various multi national business units that underwent growth both organically and via acquisition. Wayne has strong capital project management experience having previously worked in various locations around the world on several large capital petroleum projects. He worked in this capacity for Halliburton, Statoil and Shell having started his career with NEI Parsons. Wayne acts as a consultant to the Company.

Iain Stewart Anderson Young (aged 47), Commercial Manager

Iain Young graduated with an honours degree in civil engineering from the University of Glasgow, and holds an MBA from Warwick Business School. Since 2003, he has been investigating biofuels, biodiesel technology, biofuels feedstock and transport fuel markets. Prior to this he was consultant to the oil & gas exploration sector in project

management and project commercial risk management. Prior to this he was Managing Director of Allomax Limited, an engineering consultancy started up to provide oil field development support to oil companies large and small. He began his career as a petroleum engineer with BP working in oil and gas exploration and production. Iain has historically acted as a consultant to the Company, but following Admission, will become an employee.

Yong Khai Weng (aged 35), Operations Manager

Jack Yong graduated with an honours degree in chemical engineering from the University of Malaya in 1997 and has worked in the palm phytochemicals industry in Malaysia since. From 2003, he worked as Factory Manager for Supervitamins Sdn Bhd managing both a phytonutrients extraction plant and a biodiesel plant. Prior to this he worked as Assistant Production Manager for Carotech Sdn Bhd in the production, R&D and marketing of phytonutrients and biodiesel.

See Keat Tatt (aged 42) Project Financial Controller

See Keat Tatt graduated from the University of Melbourne, Australia in 1984 and qualified as a Chartered Accountant in 1988. He has considerable experience managing financial affairs in the Asia Pacific Region. Most recently he has worked in senior finance roles within US multinationals in the oilfield services industry, including Sperry Sun and Weatherford International. His work embraced wide ranging general and financial management responsibilities on an Asia Pacific regional basis.

10. Lock-ins and Orderly Market Arrangements

Immediately following Admission, the Directors and Proposed Directors will be interested in, in aggregate, 64,487,380 Ordinary Shares, representing approximately 43.65 per cent. of the Enlarged Share Capital.

The Directors have each undertaken to the Company and Hichens, Harrison, subject to certain exceptions in accordance with the AIM Rules (including the ability to accept a take-over offer for the Company or to give irrevocable undertakings to accept the same), not to and to procure that their persons connected with them do not dispose or agree to dispose of any Ordinary Shares in which they are interested at any time before the first anniversary of Admission.

The Lock-In Persons other than the Directors have each undertaken to the Company and Hichens, Harrison that they will not and shall procure that persons connected with them will not dispose of or agree to dispose of any interest in the Ordinary Shares held by them immediately following Admission for a period ending on the later of 24 months from the date of Admission, or the date on which the Plant produces not less than 15,000 tonnes of biodiesel per month for a period of three consecutive months except with the consent of Hichens, Harrison (which can be withheld at the absolute discretion of Hichens, Harrison) or in certain limited circumstances (including the ability to accept a take-over offer for the Company or give an irrevocable undertakings to accept the same). Further details of such undertakings are contained in paragraph 8.6 of Part 7 of this document.

In addition to the restrictions on the sale of Ordinary Shares described above, each Lock-In Person has undertaken for the 12 months immediately following the expiry of their respective lock-in periods to effect and to procure that persons connected with them effect sales or disposals only through Hichens, Harrison with a view to maintaining an orderly market in the Ordinary Shares.

11. Current Trading and Prospects

Since IPO Admission, Biofutures has sought an appropriate acquisition target in line with its investment strategy, whilst minimising operating expenses. The Company's strategy is to establish, invest in or acquire assets, businesses or companies in the Asian and European renewable fuels industries.

The Company at IPO Admission raised £2.9 million net of expenses and since then has incurred costs of approximately £215,000 in evaluating the project to build and operate the Plant and has made an interest free loan of £382,000 to Zurex under the terms of the Acquisition Agreement so that Zurex can make the first payment under the terms of the Land Acquisition Agreement. In addition, the Company has made a first payment of 418,200 Euros to Lurgi for materials required to build the Plant.

Zurex has completed important work in establishing the feasibility of the project to build, commission and operate the Plant on the Site. The Directors believe that Zurex is a suitable acquisition for the Company and falls within the Company's strategy.

The Directors and Proposed Directors expect that the construction of the Plant will be completed by October 2008. Subject to obtaining the necessary finance, it is their intention to increase the plant capacity from 200,000 tonnes

to 1 million tonnes per annum on the Site but not before the Plant has been constructed and become fully operational.

Further details on Zurex's prospects are set out in Part 2 below.

12. Competition

Given the potential for growth in the biodiesel and biofuels markets, it is likely that the market will become increasingly competitive. The Directors anticipate that the number of biodiesel projects coming to fruition over the next few years will be substantial.

The main competitive factors in the international biodiesel market are largely determined by the legislative environment in each geographical market, in particular, whether the relevant country has implemented a transport fuel tax regime or imposes production quotas.

The key competitive factors are:

- quality management: consistent product quality and satisfaction of EN 14214 specifications (being the European biofuels quality specifications set by the European Committee for Standardisation); and
- production and delivery costs.

For blended biodiesel, it is not yet clear at what volume of biodiesel production demand will become saturated, but when that is reached, the Directors believe that competition will move towards a price based system, given that it is essentially a commodity product.

In 2008 the UK will introduce its Renewable Transport Fuels Obligations (RTFO) scheme which the Directors believe will boost European demand as UK refiners seek to meet their obligations.

The Company will also be affected by local competition at the Lahad Datu site in Malaysia, as there are other biodiesel producers establishing plants on the POIC site. Initially the Directors and Proposed Directors believe that the only competition with these companies will be for certain supplies and trained local staff. However, as the Company and each of these producers develop their operations they will be in direct competition with each other and other participants in the biodiesel production market in Asia, Europe and the USA.

While the Directors and Proposed Directors believe that the anticipated size and growth of the biodiesel market is sufficient to accommodate a large number of new producers, they are conscious of the need to exploit the Company's first mover advantage by securing firm commitments for delivery of biodiesel well in advance of first production.

13. Dividend Policy

The Company intends to use future cash generated from the sale of palm oil biodiesel, after the Plant has been built and is operational, to expand production capacity at the Site. Thereafter the Directors and Proposed Directors intend to commence the payment of dividends when it becomes commercially prudent to do so, subject to the availability of sufficient distributable profits and having regard to the need to retain sufficient funds to finance development of the Enlarged Group's activities.

14. The City Code on Takeovers and Mergers

The issue of the Consideration Shares to members of the Concert Party gives rise to certain considerations under the Takeover Code. Brief details of the Takeover Code and the protections this affords Shareholders are described below.

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeovers and merger transactions, however effected, where the offeree company is, inter alia, a listed or unlisted public company resident in the UK, the Channel Islands or the Isle of Man or falls within certain categories of private limited companies. Biofutures is such a company and its Shareholders are entitled to the protection afforded by the Takeover Code.

Under Rule 9 of the Takeover Code ("Rule 9"), where any person acquires, whether by a series of transactions over a period of time or by one specific transaction, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a

company that is subject to the Takeover Code, that person is normally required by the Panel to make a general offer in cash to the shareholders of that company to acquire the balance of the equity share capital of the company at the highest price paid by him or any person acting in concert with him in the previous 12 months.

The Panel, which has been consulted by Ruegg & Co on behalf of the Company, has deemed that the six individual shareholders of Zurex, as vendors of a private company, to be acting in concert for the purposes of the Takeover Code.

Immediately following Admission and Completion, the members of the Concert Party will be interested in 66,670,000 Ordinary Shares, representing a maximum of 45.13 per cent. of the Enlarged Share Capital.

Following completion of the Acquisition, the members of the Concert Party will between them be interested in Ordinary Shares carrying 30 per cent. or more of the Company's voting share capital but will not hold shares carrying more than 50 per cent. of such voting rights and for so long as they continue to be treated as acting in concert any further increase in that aggregate interest in Ordinary Shares will be subject to the provisions of Rule 9 of the Takeover Code.

The Directors believe that it is appropriate for the Company to carry out the Acquisition and the Placing, and to issue the Consideration Shares to members of the Concert Party. However, the Directors would not be prepared to approve the Acquisition or the Placing in circumstances that would lead to the Concert Party or any member of it becoming obliged to make a general offer to acquire all of the Ordinary Shares not held by the Concert Party or such member. It is for this reason that the Directors have decided to seek the Waiver from the Panel from the obligation on the Concert Party (or any member of it) to make a general offer to Shareholders under Rule 9 as a result of the issue to them of the Consideration Shares.

The Panel has agreed, subject to the Waiver Resolution being passed on a poll by the Shareholders, to grant the Waiver.

The Waiver is conditional upon the Waiver Resolution being approved by the holders of the Existing Ordinary Shares, all of whom are independent of the Concert Party, voting on a poll at the EGM.

Unless the Waiver is approved by Shareholders, the issue to members of the Concert Party of Consideration Shares would give rise to an obligation on the Concert Party to make a general offer to all Shareholders under Rule 9 of the Takeover Code.

15. Intentions of the Concert Party

Save for the appointment of the Proposed Directors on Admission, no member of the Concert Party is proposing any changes to the Board and the members of the Concert Party have confirmed their intention that, following the issue to them of the Consideration Shares, the business of the Company would be allowed to continue in substantially the same manner, with no major changes to the business and no likely repercussions on employment and locations of the Enlarged Group's places of business. The members of the Concert Party have also confirmed that the existing employment rights, including pension rights (where relevant), of all employees of the Enlarged Group would be maintained.

16. The Placing

The Company has conditionally placed a total of 44,200,000 Placing Shares at the Placing Price, to raise £11,050,000, before expenses of approximately £970,000, for the Company.

The Placing is conditional, inter alia, upon:

- (a) the passing of the Resolutions;
- (b) the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission; and
- (c) Admission having become effective on or before 8.00 a.m. on 24 November 2006 (or such later date as Hichens, Harrison and the Company may agree, not being later than 7 December 2006).

The Placing is not being underwritten in whole or in part by Hichens, Harrison or any other party.

A summary of the principal terms of the Placing Agreement is set out at paragraph 8.2 of Part 7 of this document.

The Placing Shares will represent 29.92 per cent. of the Enlarged Share Capital and will, when issued, rank pari passu in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following Admission.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that trading in the Enlarged Share Capital will commence on 24 November 2006.

17. Long Term Incentive Plan

The Directors propose, subject to Shareholder approval, that the Company adopts the LTIP to incentivise the Company's Directors and senior management. Further details of the rules of the LTIP are set out in paragraph 7 of Part 7.

18. Corporate Governance

The Directors and Proposed Directors recognise the importance of sound corporate governance and intend to observe the requirements of the Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code") to the extent they consider appropriate in light of the Company's size, stage of development and resources. Due to the size and nature of the Company it does not currently comply with all the provisions of the Combined Code.

The Company has an audit committee and a remuneration committee. The members of the audit committee and the remuneration committee as at the date of this document are the non-executive directors of the Company namely Phillip Carter and Christopher Price. Phillip Carter is the chairman of the remuneration committee and Christopher Price is the chairman of the audit committee. The constitutions of these committees will remain unchanged post Admission.

In the light of the size of the Board, the Directors and Proposed Directors do not consider it necessary to establish a nomination committee, however this will be kept under regular review.

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 and Proposed Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Enlarged Group's applicable employees.

19. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles contain certain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form in CREST under the CREST Regulations. The existing Ordinary Shares are currently enabled for settlement through CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

20. Risk Factors

Shareholders should consider carefully the risk factors set out in Part 3 of this document in addition to the other information presented.

21. Additional Information

Your attention is drawn to the further information set out in Parts 2 to 8 of this document.

22. Extraordinary General Meeting

Set out at the end of this document is a notice convening the Extraordinary General Meeting of the Company to be held at the offices of DLA Piper UK LLP at 3 Noble Street, London EC2V 7EE on 23 November 2006 at which the following resolutions will be proposed:

- Resolution 1 is an ordinary resolution to increase the authorised share capital of the Company;
- Resolution 2 is an ordinary resolution to approve the Acquisition for the purposes of the AIM rules;

- Resolution 3 is an ordinary resolution to approve the waiver of the obligation under Rule 9 of the Takeover Code by the Panel in respect of the issue of the Consideration Shares to members of the Concert Party;
- Resolution 4 is an ordinary resolution to authorise the Directors to allot the Placing Shares, Consideration Shares and a limited number of Ordinary Shares;
- Resolution 5 is an ordinary resolution to approve the Long Term Incentive Plan; and
- Resolution 6 is a special resolution to authorise the Directors to issue the Placing Shares and a limited number of Ordinary Shares otherwise than on a pre-emptive basis.

Resolution 3 will be voted on by a poll of Shareholders.

The attention of Shareholders is also drawn to the voting intentions of the Directors set out in paragraph 24 below.

23. Action to be Taken

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return your Form of Proxy to the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey, GU9 7EN as soon as possible but, in any event, so as to arrive no later than 11 a.m. on 21 November 2006. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

24. Recommendation

The Directors, having been so advised by Ruegg & Co, believe that the Proposals and the Resolutions are fair and reasonable and in the best interests of the Company and its Shareholders. Consequently the Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as those Directors, who are also Shareholders, intend to do in respect of their own beneficial holdings of Ordinary Shares and those of their connected persons which amount, in aggregate, to 16,685,000 Ordinary Shares representing 45.3 per cent. of the Existing Ordinary Shares. In providing advice to the Directors, Ruegg & Co has taken into account the Directors' commercial assessments.

Yours sincerely

Nicholas Wilding Gee
Executive Chairman

30 October 2006

PART 2

INFORMATION ON ZUREX AND THE SITE

1. Introduction

Zurex was incorporated on 29 November 2005 to establish a large scale 200,000 tonnes per annum palm oil biodiesel plant at POIC Lahad Datu, Sabah, Malaysia. Zurex's strategy is to produce palm oil biodiesel from the abundant feedstock of refined and crude palm oil in Malaysia and on the sale of palm oil biodiesel to regional (Asia Pacific) and EU markets. The Enlarged Group anticipates continuous production of palm oil biodiesel by October 2008.

2. Location of the Plant

Zurex has paid a non-refundable deposit of RM 2,613,600 (approximately £382,000) to acquire a 50 acre plot within Phase 1 of POIC's Lahad Datu site. This deposit was funded through an interest free loan from Biofutures pursuant to the terms of the Acquisition Agreement further details of which are contained in paragraph 8.1 of Part 7 of this document.

POIC is developing the Lahad Datu site 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 of the development is for the preparation of a 500 acre site planned to be ready for operations by 2007. Lahad Datu has been designated as the country's third port of delivery for palm oil futures and is currently the centre of the palm oil industry in the Sabah province, Borneo. Sabah produces 30 per cent. of Malaysian palm oil and there are palm oil refineries close to the site. The site is adjacent to a designated oleo-chemicals handling deep water port, is surrounded 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 surrounding infrastructure to ensure the establishment and long-term growth of Lahad Datu as the principal palm oil industrial cluster within the ASEAN region.

The Directors and the Proposed Directors believe that the location of the Plant at Lahad Datu affords a strong competitive advantage due to its close proximity to an existing supply of palm oil and a deep water port that can facilitate further supply as well as large volume export.

The Site affords sufficient space to increase the proposed plant capacity from 200,000 tonnes per year to at least 1 million tonnes per year.

Further details of the terms on which Zurex has agreed to acquire the Site are set out in paragraph 8.7 of Part 7 of this document.

3. Construction of the Plant

On completion of the Placing and Acquisition Agreement, Zurex aims to complete its contract negotiations with JJ-Lurgi Engineering Sdn. Bhd. (a 50.0 per cent. associate company of Lurgi AG) to supply the components for construction of the Plant. Lurgi has indicated that it expects to be able to commence delivery of components within 12 months of signing the contract. The Directors and Proposed Directors believe that Lurgi's quotation for carrying out the works will be approximately £6.2 million. It is expected that construction of the Plant will be completed by October 2008.

Lurgi has been building biodiesel plants for over 15 years and is one of the world's market leaders. It has constructed over 20 plants in Europe, mainly Germany and more than 25 of its plants are in operation worldwide. Lurgi has also constructed a plant in Batam Indonesia which uses palm oil.

4. Licences and approvals

Zurex has obtained the following consents and licences to enable the construction of the Plant:

- (a) a manufacturing licence from the Ministry of International Trade and Industry, Malaysia further details of which are set out in paragraph 8.9 of Part 7; and
- (b) a 100 per cent. five year tax exemption from the Malaysian Industrial Development Authority.

Zurex is currently carrying out a compulsory environmental impact assessment for submission to and approval by the Department of Environment.

Immediately prior to commencement of the construction of the Plant, Zurex will also be applying to the local authorities for approval for the Plant's building plan, certificate of fitness for occupation and for other business related licences which are inappropriate for application at this time. There can be no assurance that these approvals will be granted.

5. Infrastructure, energy, water supply and drainage

The Lahad Datu site is expected to be ready for operations in 2007 by which time the adjacent Lahad Datu port, which has a sheltered harbour of depth reaching in excess of 12.5 metres, will have been expanded to have more jetty, bulking and stevedoring facilities.

Although there is currently an adequate electricity supply in the region, interruptions to power supply are not uncommon. Sabah Electricity is in the process of increasing the power supply to the region, partly in anticipation of the development of the Lahad Datu site. The Company intends to have its own power generation facilities at the Site.

Water production capacity in Lahad Datu is 56.0 million litres per day (MLD). Expansion plans are in place by the local water department to increase output to meet the projected 2010 demand of 68.0 MLD.

A centralised effluent treatment plant will be constructed by POIC to treat industrial effluent. The Enlarged Group will build its own water treatment plant at the Site to meet the standards of the POIC plant.

Your attention is drawn to the risk factors set out in Part 3 of this document.

6. Transport arrangements

The existing Lahad Datu Port adjacent to the Site is managed by Sabah Ports Berhad. It has one of the deepest harbours in Sabah with depths in excess of 12.5 metres less than half a kilometre from shore. Port services include container handling and dry and bulk cargo handling. While Sabah Ports Berhad has plans to improve its capacity and facilities, POIC has plans to construct its own jetty in anticipation of the needs of factories.

Lahad Datu regional airport is serviced by Air Asia.

The Site is accessible by paved internal roads that connect with the main highway network in Borneo.

7. Feedstock

Zurex has obtained several letters of intent from suppliers of palm oil in Sabah, Malaysia and the Directors believe that sufficient palm oil feedstock for the Plant will be readily available. Palm oil is the lowest cost pure biodiesel feedstock and is significantly cheaper than rapeseed oil, the principal biodiesel feedstock used in Europe. It is typically priced around US\$200 a tonne less than rapeseed oil.

8. Off-take

Zurex has signed an off-take agreement with Gori & Partners Private Limited for up to 5,000 tonnes a month of its biodiesel production which equates to 30 per cent. of planned production (further details are set out in paragraph 8.8 of Part 7). The Directors expect to sign further off-take agreements before construction of the Plant is completed.

9. Tax incentives

Zurex has been granted "Pioneer Status" offering it tax-free status for a period of five years from the date of commercial production of palm oil biodiesel from the Plant (further details are set out in paragraph 13.5 of Part 7).

PART 3

RISK FACTORS

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. In addition to the usual risks associated with an investment in a business at an early stage of development, the Directors and the Proposed Directors believe that the following risks should be considered carefully by investors before acquiring Ordinary Shares. Prospective investors are advised to consult an independent adviser authorised under the FSMA. If any of the risks described in this document actually occurs, the Company may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

Early stage in Enlarged Group's development, construction delays and licences

The Enlarged Group is in the early stages of its development and whilst proposals have been received for a number of key contracts, a number of other key contracts including contracts for the fabrication and construction of the Plant, infrastructure and utilities, remain to be negotiated. Delays or difficulties in putting acceptable arrangements in place or satisfying any conditions precedent could result in a delay in the commencement of the operation of the Plant or failure to finalise the construction of the Plant at all.

A number of licences are also required to operate the Plant and any delay in obtaining these licences, or having to accept conditions to such licences, may have an adverse effect on the business. Accordingly, it cannot be said with certainty when the Plant will commence production and in any event a minimum of several months is likely to be required following completion of the Plant before the Plant is consistently producing palm oil biodiesel at the desired rate and quantity.

The construction and operation of the various systems comprised in the Plant and the date upon which the Plant becomes operational will depend on the Company's ability to manage the interface of the various operational systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to manage the interfacing of such systems could have a material adverse effect on the date on which the Plant becomes operational (if at all) and hence upon the Company's financial condition. The Company anticipates continuous production by October 2008. However, there are a number of risks and uncertainties to this timetable and there cannot be certainty as to when the Plant will commence production or reach full capacity.

As the Plant is not yet operational the Company does not have a proven track record for investors to rely upon when considering an investment in the Company nor any established trading relationships with its customers or suppliers.

Timing of the services infrastructure and length of manufacturing licence

The manufacturing licence issued by the Malaysian Industrial Development Authority (MIDA) stipulates that the project must be implemented within a period of twelve months from the effective date of the licence. In the light of the fact that POIC have up to twenty-four months to construct the infrastructure and services on and around the Site, there is a risk that Zurex will not be able to implement its obligations within the twelve month licence period. However, an officer of MIDA orally confirmed to the legal advisers to the Company in Malaysia that failure to comply with the twelve month period stipulated in the licence would not result in its revocation or it being treated as a breach of the licence conditions, subject to Zurex keeping MIDA informed in writing of progress on the project. In any event the licence requires Zurex to update MIDA on the progress of the project every six months. As mentioned elsewhere in this admission document, the Enlarged Group aims to achieve operative production by October 2008.

No bank finance

The Company has not obtained any third party finance to fund the construction of the Plant. The total cost of construction of the Plant is estimated by the Company to be £40 million. The Directors intend to use the net proceeds of the Placing of approximately £10,080,000 million and the Company's existing cash resources of £2.4 million to acquire the Site and commence construction of the Plant but these funds will not be sufficient to take

the construction of the Plant through to completion. The Directors have been in discussions with a number of banks regarding the provision of finance and will continue to do so with a view to entering into formal facility arrangements with one of them as soon as reasonably practicable following Admission. However, there is a risk that the Company will not be able to obtain third party finance by the time and at the level that it is needed for construction of the Plant to continue. There is also a risk that the terms of such finance will be more onerous than initially expected or budgeted. As a result, the Company may have expended all the monies raised on the Placing but still not have an operational Plant and therefore will not be in a position to generate revenue or profits for Shareholders. In such circumstances investors could lose all their investment.

In the event that the Company does obtain third party finance, it is likely to be a term of such finance that if the Company is not able to service its loan, the lender will be entitled to ask for additional security or to take possession of the Plant and sell it to recover its loan. In such circumstances investors could lose all their investment.

Reliance on key management and availability of staff

The Company's success will to a large extent be dependent on the ability and experience of its Directors and senior employees and managers. Whilst the Company does not currently envisage any difficulties in recruiting people with the necessary expertise to operate and manage the Plant, its ability to recruit may, in the future, be affected by the competitive market for staff with the skills which the Company requires. Loss of key people or difficulties in recruitment may affect the Company's ability to expand and may have an adverse effect on the Company's business. The retention of their services cannot be guaranteed. Accordingly, the loss of any key Director or manager of the Enlarged Group may have an adverse effect on the Company's prospects.

The ability of the Directors and the Proposed Directors to implement the Company's strategy of growth will require effective planning and management control systems. The Company's growth plans may place a significant strain on the Company's management, operational, financial and personnel resources. Therefore the Company's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

The Plant will be operated in Sabah in Eastern Malaysia. The Company may find difficulty in recruiting suitable staff to work in this relatively remote part of Malaysia or may find that employment costs have to be increased to attract suitable staff, at least in the early days of establishing an industrial infrastructure base for palm oil in this area.

Reliance on third parties

Whilst the development of the POIC site at Lahad Datu is progressing, it is possible that key infrastructure may not be ready to meet Biofutures' schedule of Plant construction. To address this risk, the Company has included, in its capital expenditure budget, the cost of providing additional power, drainage, water, bulk storage and pipelines to existing quays.

In addition, there can be no certainty that third parties will perform, or be able to perform, their obligations under various contracts with the Company or, in the event of breach, that the Company will be able to recover damages for breach of contract. The insolvency of third parties or their default under the terms of such contracts could have a material adverse effect on the Enlarged Group and its operations.

Renewable fuels market

Competition

Given the potential for growth of the biodiesel and biofuels markets and despite the enormous market demand relative to production, it is likely that, at some point in the future, the market for green fuels will become increasingly competitive and the Company may face significant competition from competitors who may have greater capital and other resources and superior brand recognition than the Company or may be able to provide better services or adopt more aggressive pricing policies. There is no assurance that the Company will be able to compete successfully in such a marketplace.

The Company may not be able to enter into sufficient sales contracts to sell, at acceptable prices, the product when produced.

A long term fall or increase in the rate of excise or duties levied on mineral diesel, compared to biodiesel, would also adversely impact upon the profitability and viability of the Company.

The cyclical nature of the feedstock oils market and of speculative commodity traders may lead to volatile changes in raw material prices which may adversely affect the earnings of the Company. The business may also be affected if there are any shortages of supply of the raw materials required to manufacture biodiesel.

The cyclical nature of the crude oil market and its impact upon the retail price of transport fuels may lead to changes in selling price of diesel and therefore biodiesel which may adversely affect the earnings of the Company.

Environment concerns

Biodiesel is seen as one of a number of renewable sources of energy and it is possible that other more desirable alternatives to mineral diesel may be developed which compete with biodiesel. This means that the Company will constantly need to seek out new opportunities to provide biofuels in a manner which distinguishes it from its competitors and will enable it to stay at the forefront of the market. The development of new alternatives to fossil fuels could also give rise to significant new competitors, which may have a material and adverse effect on the Enlarged Group's business.

EU policy

Changes in market growth and fiscal policy could have a negative impact on demand for products. A range of policies which support biodiesel are underpinned by EU climate change policy and adherence to the Kyoto protocol targets in particular. Any change in this position could adversely impact the commercial viability of biodiesel. Further details on the legislative environment for biodiesel is set out in the paragraph below entitled "International Regulation of biofuels and possible legislative changes".

Biodiesel imports to the EU incur a tariff of 6.5 per cent.. If this tariff is increased, it could affect the Company's earnings adversely.

At present it is considered that the highest value and most liquid market for biodiesel is Europe where the Company intends to focus its medium term selling efforts. Lower prices in or failure to exploit market opportunities in that region would adversely affect the Company's earnings.

Potential seasonal market

Biodiesel made from palm oil, as opposed to rapeseed oil, is less suitable for consumption in cold climates when used in blends above B20. The Directors and the Proposed Directors believe this could lead to a seasonal market for palm oil biodiesel, lowering the average price received.

Ethical considerations

As the biodiesel market expands, potential ethical questions could arise about the use of a valuable food commodity for non-food purposes. While excess sugar cane and beet can be grown and used in bioethanol with no harm to the food industry, the same cannot be said of biodiesel and its raw material supply until next generation feedstocks such as jatropha and marine algae sources are commercially developed.

As feedstock supplies start to shorten, oilseed crop production will increase to meet demand. In Europe, with so many fields potentially devoted to rapeseed production, environmental groups are starting to ask questions regarding the effect on the biodiversity of wildlife.

Given the potentially divisive nature of biofuels as an environmentally friendly product, the Company will maintain a very careful watch over the debate and research on this issue and seek to ensure the Company's activities are both commercially and environmentally sustainable.

International regulation of biofuels and possible legislative changes

As the production and use of biofuels is relatively new, the regulatory environment surrounding it is subject to change. In Europe, where the biofuels market is the most mature, the European Commission launched a strategy on 8 February 2006 with a view to boosting the use of biofuels through a range of market-based, legislative, and research measures. The strategy's three main aims are (i) to promote biofuels in both the EU and developing countries (ii) to prepare for large-scale use of biofuels by improving their cost-competitiveness and increasing research into 'second generation' fuels; and (iii) to support developing countries where biofuel production could stimulate sustainable economic growth. The strategy paves the way to potential legislative change to the main directives establishing European Union policy in this area, namely the 2003 Biofuels Directive (2003/30/EC) and

the 1998 Fuel Quality Directive (98/70/EC) as amended by 2003/17/EC. The Commission has committed to proposing the final legislative recommendations by the end of 2006 and it is expected that this will include specific legislative proposals to amend both the Biofuels Directive and the Fuel Quality Directive. All amendments (other than those which relate to taxation) must be approved by the European Parliament and the Council of the European Union as co-decision makers, a process which can last up to two years.

The European Parliament, Council (and stakeholders) remain in the consultative, pre-legislative phase of the process and the extent of the legislative changes and the way in which they may affect the Enlarged Group are currently uncertain. On 5 October 2006 the European Parliament Committee on Industry, Research and Energy released their opinion report on the Commission's strategy which included an amendment proposed by three Members of European Parliament from the Green political group to ban the sale of palm oil derived biodiesel in the European Union due to environment sustainability concerns about the increased production of palm oil. By comparison, another amendment advocated an urgent review of the existing CEN standard EN 14214 in order to include additional types of biomass and allow for a wider range of vegetable oils in biofuel production. This report has not yet been approved by the full European Parliament. In view of multiple interests in the production of biofuels, an adoption by plenary (full house) of the European Parliament is likely to provoke intense debate. This stage of the political debate provides ample opportunities for stakeholders to influence the outcome. Taking into account the current composition of the European Parliament, the Directors believe that those promoting industry interests in alternative fuels are likely to have a significant weight in the debate. Even if the European Parliament does adopt this amendment in plenary, it is by no means certain that the European Commission will incorporate this suggestion into legislative proposals.

The Directors and Proposed Directors do not believe that this amendment will form part of the final legislative package due to its extreme nature and because it is inconsistent with many of the European Commission's principles on biofuels and biomass. In particular, it is the Directors' belief that the level of alternative sources of feedstock (such as rapeseed oil and vegetable oil) will be insufficient to meet the future demand for biofuels in Europe, particularly if the Commission's targets are to be achieved and/or increased in the future and therefore a ban on palm oil biodiesel is unlikely. The Directors and Proposed Directors believe a more likely outcome is that a statutory palm oil traceability scheme, such as for tropical hardwoods, is implemented by the EU. The Company is already intending to work with the Roundtable for Sustainable Palm Oil to design and implement such a scheme in any event, using the hardwood scheme and the recent supermarket's scheme for Brazilian soybeans as starting points.

However, if a ban or other amendments are introduced in the future which impose restrictions on the importation of feedstock for biodiesel (and in particular palm oil derived biodiesel) into the European Union this could have a material and adverse effect on the financial condition, business and results of operations of the Enlarged Group as the Directors and Proposed Directors consider Europe to be the Enlarged Group's favoured target market. However, the Directors and the Proposed Directors also believe that the USA and countries in the Far East provide sufficient markets for the Company to sell palm oil derived biodiesel into if it was subsequently prevented from selling it into Europe.

In markets outside Europe, the Directors and the Proposed Directors believe that the legislative position is less volatile. However, the same considerations apply in these markets as in Europe (for example sustainability, energy supplies) and it is likely that other markets like the USA and countries in the Far East will watch the legislative position in Europe closely and may introduce similar amendments in their jurisdictions as are adopted in Europe. The Company will follow all legislative developments closely and, where the Directors and Proposed Directors consider it possible and practical, will seek to influence the political process by advocating the production of sustainable palm oil biodiesel.

The Enlarged Group's business model assumes that the regulatory environment for the Enlarged Group remains unchanged. This situation could change and the Enlarged Group may need to obtain new or renew existing permissions, licenses or regulatory approvals and there can be no assurance that these will be obtained. No assurance can be given that new laws, rules and regulations will not be enacted or existing requirements applied in a manner which would limit or curtail the Enlarged Group's business.

Foreign currency risk

Feedstock and plant operating costs will predominantly be in Malaysian Ringgit. Therefore, Biofutures' costs will be subject to transaction risk when those costs are incurred and any adverse currency movements would impact upon the future profitability of Biofutures.

The capital purchase of the Plant will be predominantly in Malaysian Ringgit. However, as the asset will be owned by Zurex, Biofutures' balance sheet will be subject to currency translation risk.

Operating costs

Operating costs are best estimates by the Directors and Proposed Directors. Actual costs may be higher or lower. Higher costs will have an impact on the Company's results as may a variety of other factors outside of the Company's control, such as increased competition and slower than expected take-up by customers of the Company's palm oil biodiesel product.

Although the building of the Plant in Malaysia attracts pioneer tax status for Zurex which offers benefits of income tax reduction for a period of five years, there is no guarantee that this benefit will accrue or continue to accrue to the UK parent company.

The value of Ordinary Shares will be dependent, among other things, on the success of the trading activities undertaken and since Biofutures will initially seek to manufacture mainly palm oil biodiesel it is totally dependent on the commercial success of this product. This lack of diversification increases the risks inherent in acquiring and operating a single plant.

Licensing and regulation

The operation of the Plant is subject to extensive environmental laws and regulations and the Enlarged Group has obtained a licence to produce palm oil biodiesel that is designed to promote safety and to prevent the release of hazardous substances from the Plant. Violations of these requirements could result in liabilities that materially affect the Company's financial condition.

The Plant will be designed and under construction before all necessary consents are received and there is no guarantee that all of the consents needed, including those conditions attached to the planning permission for the Plant, will be satisfied within the anticipated timescale. Moreover, conditions may be attached that require modification of the Plant. This would result in Plant installation being delayed and/or extra cost being incurred with a consequent effect upon the Company's revenue streams and its ability to discharge bank indebtedness.

Additional capital and dilution

The Company will require additional capital in the future for expansion and/or business development which may significantly dilute the interests of existing Shareholders. If the Company is unable to obtain financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of Shareholders may be reduced. Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. There can be no guarantee that any further capital raisings will be successful.

Any additional debt financing, if available, may involve restrictions on future financing and operating activities. If the Company is unable to obtain additional financing as required it may not be possible to expand in the manner currently envisaged.

Significant delays in commencing the production of palm oil biodiesel could require further funds to be raised.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and approval by the Shareholders of the Company or, in the case of interim dividends to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

Forward-looking statements

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Company's plans, goals and prospects. These statements and the assumptions that underly them are based on the current expectations of the Directors and Proposed Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Company will not differ materially from the matters described in this document.

Realisation of investment

Potential investors should be aware that the value of shares and income from them can go down as well as up. The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

It is possible that, in the future, the Company's operating results will fall below the expectations of securities analysts or investors. If this occurs the trading price of the Company's shares may decline significantly.

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by certain Shareholders following expiry of the lock-in period (or otherwise), as detailed in paragraph 10 of Part 1 and paragraph 8.6 of Part 7 of this document, or the perception that these sales could occur.

Investment in companies listed on AIM

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to the Company.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The information in this admission document is based upon current tax law and practice and other legislation. Changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company and the acquisition of Ordinary Shares will not be covered by the Investors' Compensation Scheme operated by the FSA or by any other compensation scheme.

The risks noted above do not necessarily comprise all those faced by the Enlarged Group and are not intended to be presented in any assumed order of priority.

The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under the FSMA who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him.

PART 4

A. HISTORICAL FINANCIAL INFORMATION OF ZUREX CORPORATION SDN. BHD.

1. Introduction

The financial information on Zurex Corporation Sdn. Bhd. set on in this Section A of Part 4 has been prepared solely for the purpose of the AIM Admission Document of Biofutures International plc.

2. Responsibility

The Directors and Proposed Directors of Biofutures International plc are responsible for preparing the financial information and the contents of the document in which it is included.

3. Principal activities and general information

The company has the objective to engage in the manufacture of palm oil biodiesel.

The company did not commence its business activities during the period from incorporation to 30 June 2006.

The company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 23B, Room B, Jalan 52/1, 46200 Petaling Jaya, Selangor Darul Ehsan and the principal place of business is located at Suite E-06-04, Plaza Mon't Kiara, 2, Jalan kiara, 50480 Kuala Lumpur.

4. Principal accounting policies

(a) *Basis of preparation*

The financial information on Zurex Corporation Sdn. Bhd. has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial information has been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) *Property, plant and equipment and depreciation*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is computed on the straight line basis to write off cost of property, plant and equipment over their estimated economic lives. The residual value and the useful life of an asset is reviewed at every balance sheet date and, if expectations differ from previous estimates, the change for current and future periods are adjusted.

The principal annual depreciation rate used is as follows:–

Office equipment 20%

The policy for the recognition and measurement of impairment loss is in accordance with note 4 (d).

(c) *Income tax*

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences and deferred tax asset are recognised for all deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arise

from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(d) *Impairment of assets*

The carrying value of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revaluation amount in which case, the impairment loss is treated as a revaluation decrease to the extent of revaluation surplus previously recognised for the same assets.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(e) *Financial instruments*

Financial instruments carried on the balance sheet include cash and bank balances. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the company has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(f) *Cash and cash equivalents*

Cash and cash equivalents comprise of bank balances. Cash equivalents are highly liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(g) *Equity*

Share capital is determined using the nominal value of shares that have been issued.

Accumulated losses include all current results as disclosed in the income statement.

(h) *Financial liabilities*

The company's financial liabilities include amounts due to a director.

Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument.

(i) *Foreign currencies*

Transactions in foreign currencies are translated into Malaysian Ringgits (RM), the currency in which the company normally reports, at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RM at the rates of

exchange ruling at that date. Gains and losses in the period arising on exchange are dealt with in the income statement.

All amounts in the financial information have been converted into United Kingdom pounds sterling (£) from Malaysian Ringgits (RM) at the fixed exchange rate of RM6.68:£1, being the exchange rate at 30 June 2006. No losses or gains have therefore been recognised on translation.

5. Income statement for the period from incorporation, 29 November 2005, to 30 June 2006

	<i>Notes</i>	<i>Period from 29 November 2005 to 30 June 2006</i>
		£
Continuing operations		
Revenue		—
Other income	9.3	15
Administrative expenses		(372,046)
Loss before taxation		(372,031)
Tax	9.4	—
Loss for the period from continuing operations		<u>(372,031)</u>

6. Balance sheet as at 30 June 2006

	<i>Notes</i>	<i>2006</i>
		£
Assets		
<i>Non current assets</i>		
Property, plant and equipment	9.5	105
<i>Current assets</i>		
Cash and bank balance		3,173
Total assets		<u>3,278</u>
Equity and liabilities		
<i>Current liabilities</i>		
Amount due to a director	9.6	1,159
Total liabilities		<u>1,159</u>
<i>Equity</i>		
Share capital	9.7	374,150
Accumulated losses		(372,031)
Total equity attributable to shareholders of the company		<u>2,119</u>
Total equity and liabilities		<u>3,278</u>

7. Statement of change in equity

	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Total</i>
	£	£	£
Changes in equity for period ended 30 June 2006			
Loss for the period	—	(372,031)	(372,031)
Total recognised income and expenses for the period	—	(372,031)	(372,031)
Issue of share capital	374,150	—	374,150
Balance at 30 June 2006 carried forward	<u>374,150</u>	<u>(372,031)</u>	<u>2,119</u>

8. Cash flow statement from incorporation, 29 November 2005, to 30 June 2006

	<i>Period from 29 November 2005 Notes to 30 June 2006</i>	£
Cash flow from operating activities		
Loss before taxation		(372,031)
Adjustments for:		
Interest income		(15)
Operating cash flow before working capital changes		(372,046)
Increase in amounts due to a director		1,159
Net cash used in operating activities		(370,887)
Cash flows from investing activities		
Interest received		15
Purchase of property, plant and equipment		(105)
Net cash used in investing activities		(90)
Cash flows from financing activities		
Proceeds from issue of ordinary shares		374,150
Net cash generated from financing activity		374,150
Net increase in cash and cash equivalents		3,173
Cash and cash equivalents at 29 November 2005		–
Cash and cash equivalents at 30 June 2006		3,173

9. Notes to the financial information

9.1 *Segmental Information*

(a) Primary reporting format – business segment:

As defined under International Accounting Standard 14 (IAS14), the only material business segment the company has is the objective to engage in the manufacture of biodiesel.

(b) *Secondary reporting format – geographical segment:*

Under the definitions contained in IAS 14, the only material geographic segments that the company has operated in during the period is Malaysia.

9.2 *Revenue*

There was no revenue generated by the company during the period.

9.3 *Other income*

Other income in the period represents bank interest received.

9.4 *Taxation*

*Period from
29 November 2005
to 30 June 2006*
£

Current and deferred tax	—
--------------------------	---

The charge for the period can be reconciled to the loss per the income statement as follows:

*Period from
29 November 2005
to 30 June 2006*
£

Loss before taxation	(372,031)
Tax on loss at UK corporation tax rate of 19%	(111,609)
Unrelieved tax losses carried forward	111,609
Total current tax	—

9.5 *Property, plant and equipment*

Office equipment
£

Cost	
As at 29 November 2005	—
Additions	105
As at 30 June 2006	105
Net book value	
As at 30 June 2006	105

9.6 *Creditors: amounts falling due within one year*

Creditors: amounts falling due within one year represents an amount which is due to a director which is unsecured, interest free and has no fixed term of repayment.

9.7 *Share capital*

2006
£

Authorised:	
Ordinary shares of RM1 each	
At date 29 November 2005	14,966
Created during the period	733,334
At 30 June 2006	748,300
Issued and fully paid:	
Ordinary shares of RM1 each	
At 29 November 2005	—
Issued during the period	374,150
At 30 June 2006	374,150

At the date of incorporation the company's authorised share capital was RM100,000 divided into 100,000 ordinary shares of RM1 each.

On 17 January 2006 the company increased its authorised share capital to RM5,000,000 by the creation of 4,900,000 ordinary shares of RM1 each.

The fully paid up share capital of the company at its incorporation date was 2 ordinary shares of RM1 each.

On 17 January 2006 the fully paid up share capital was increased by issuing 2,499,998 of RM1 each at par.

9.8 *Employee information*

The company has not employed any staff since the date of its incorporation.

9.9 *Financial instruments*

The carrying amounts of financial assets and liabilities of the company at the balance sheet date approximated their fair values.

9.10 *Comparative information*

There is no comparative figure for the company as this is the first set of such financial statements being prepared.

9.11 *Risk management objectives and policies*

The company is exposed to a variety of financial risks which result from its operating. The company risk management is coordinated by the board of directors, and focuses on actively securing the companies short to medium term cash flows by minimizing the exposure to financial markets.

(a) *Cash flow and fair value interest rate risks*

Cash flow is managed by means of ensuring sufficient cash and cash equivalents are held to support the trading activities of the company. The cash and cash equivalents are invested such that the maximum available interest rate is achieved with nominal rate.

The company currently has no financial liabilities with floating interest rates.

The fair value of cash and cash equivalents is considered to be not materially different to carrying amounts.

PART 4

B. ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ZUREX CORPORATION SDN. BHD.

Grant Thornton 

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

The Directors
Biofutures International plc
8 - 12 Priestgate
PETERBOROUGH
Cambs.
PE1 1JA

30 October 2006

Dear Sirs

Zurex Corporation Sdn. Bhd.

We report on the financial information set out in Section A of Part 4 of Biofutures International plc's AIM Admission Document dated 30 October 2006 (the Admission Document). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in paragraph 4 of the financial information.

Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

As described in paragraph 2 the Directors and Proposed Directors of Biofutures International plc are responsible for preparing the financial information of the Zurex Corporation Sdn. Bhd. on the basis of preparation set out in note 4(a) to the financial information and in accordance with International Financial Reporting Standards (IFRS).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 30 October 2006, a true and fair view of the state of affairs of Zurex Corporation Sdn. Bhd. as at 30 June 2006 and of its loss, cash flows and changes in equity for the period then ended in accordance with the basis of preparation and in accordance with IFRS as described in note 4(a) and has been prepared in a form that is consistent with the accounting policies to be adopted in Biofutures International plc's next annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART 5

A. HISTORICAL FINANCIAL INFORMATION OF BIOFUTURES INTERNATIONAL PLC

1. Introduction

The financial information on Biofutures International Plc set on in this Section A of Part 5 has been prepared solely for the purpose of the AIM Admission Document.

2. Responsibility

The Directors and Proposed Directors are responsible for preparing the financial information and the contents of the document in which it is included.

3. Principal activities and general information

The Company has the objective to establish, invest in or acquire assets, businesses or companies in the renewable fuels industry, located in Asia and Europe.

The Company is a public limited liability company, incorporated and domiciled in England. The registered office of the Company is located at 8-12 Priestgate, Peterborough, PE1 1JA.

4. Principal accounting policies

The principal accounting policies adopted by the Company are as follows:

(a) *Basis of preparation*

The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial information has been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) *Financial assets*

All financial assets are recognised on their settlement date. All financial assets that are not classified as fair value through profit or loss are initially recognised at fair value, plus transaction costs.

Financial assets consists of loans and receivables. Interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

(c) *Income tax*

Income tax for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or

accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

(d) *Related parties*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(e) *Cash and cash equivalents*

Cash and cash equivalents comprise cash, and cash available at less than 24 hours notice at no penalty.

(f) *Financial liabilities*

The Company's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

(g) *Equity*

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Accumulated losses include all current results as disclosed in the income statement.

5. Income Statement for the period from incorporation, 17 February 2006, to 30 June 2006

	<i>Notes</i>	<i>Period from 17 Feb 2006 to 30 Jun 2006</i>
		£
Continuing Operations		
Revenue		–
Administrative expenses		(68,171)
Operating loss		(68,171)
Other income	9.2	9,918
Loss before taxation		(58,253)
Tax	9.3	–
Retained loss for the period from continuing operations		(58,253)
Loss per share		
– Basic	9.4	(0.32)p

6. Balance sheet as at 30 June 2006

	<i>Notes</i>	<i>2006</i>	
		£	£
Assets			
<i>Current assets</i>			
Other receivables	9.5	115,551	
Cash and cash equivalents		2,844,493	
			2,960,044
Total assets			2,960,044
Equity and liabilities			
<i>Current liabilities</i>			
Trade and other payables	9.6	53,387	
Total liabilities			53,387
<i>Equity</i>			
Share capital	9.7	368,600	
Share premium account	9.7	2,596,310	
Accumulated losses		(58,253)	
Total equity attributable to equity share holders of the Company			2,906,657
Total equity and liabilities			2,960,044

7. Statement of change in equity

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained losses</i>	<i>Total</i>
	£	£	£	£
Changes in equity for period ended 30 June 2006				
Loss for the period	–	–	(58,253)	(58,253)
Total recognised income and expenses for the period	–	–	(58,253)	(58,253)
Issue of share capital	368,600	2,718,000	–	3,086,600
Expenses of share issue	–	(121,690)	–	(121,690)
Balance at 30 June 2006 carried forward	368,600	2,596,310	(58,253)	2,906,657

8. Cash flow statement for the period from 17 February 2006 to 30 June 2006

	<i>Notes</i>	<i>Period from 17 Feb 2006 to 30 Jun 2006</i>
		£ £
Cash flow from operating activities		
Loss before taxation		(58,253)
Adjustments for:		
Interest received		(9,918)
Operating cash flow before working capital changes		(68,171)
Increase in other receivables		(115,551)
Increase in payables		53,387
Net cash used from operations		(130,335)
Cash flows from investing activities		
Interest received		9,918
Net cash inflow from investing activities		9,918
Cash flow from financing activities		
Proceeds from issue of share capital	9.7	3,086,600
Expenses paid in respect of share issue		(121,690)
Net cash inflow from financing activities		2,964,910
Net increase in cash and cash equivalents		2,844,493
Cash and cash equivalents as at 17 February 2006		—
Cash and cash equivalents as at 30 June 2006		2,844,493

9. Notes to the financial information

9.1 *Segmental Information*

(a) Primary reporting format – business segment:

As defined under International Accounting Standard 14 (IAS14), the only material business segment the Company has is that of investing and acquiring assets, business or companies in the renewable fuel industry, located in Asia and Europe.

(b) Secondary reporting format – geographical segment:

Under the definitions contained in IAS 14, the only material geographic segments that the Company has operated in during the period is the United Kingdom.

9.2 *Other income*

	<i>Period from 17 Feb 2006 to 30 Jun 2006</i>
	£
Bank interest income	9,918

9.3 *Taxation*

	<i>Period from 17 Feb 2006 to 30 Jun 2006</i>
	£
Current and deferred tax	—

The charge for the period can be reconciled to the loss per the income statement as follows:

	<i>Period from 17 Feb 2006 to 30 Jun 2006</i>
	£
Loss before taxation	(58,253)
Tax on loss at UK corporation tax rate of 19%	(11,068)
Unrelieved tax losses carried forward	11,068
Total current tax	—

9.4 *Loss per share*

The calculation of basic and diluted loss per share is based upon the loss attributable to the equity shareholders of the Company of £58,253 and the weighted average number of ordinary shares of 18,137,836 in issue during the period.

The impact of warrants on the loss per share is antidilutive.

9.5 *Trade and other receivables*

	<i>At 30 June 2006</i>
	£
Other receivables	115,551

The Company had no trade receivables throughout the period.

The fair value of trade and other receivables is considered by the directors not to be materially different to carrying amounts.

9.6 *Creditors: amounts falling due within one year*

	<i>At 30 June 2006</i>
	£
Trade creditors	53,387

The fair value of trade payables is considered by the directors not to be materially different to carrying amounts.

9.7 *Share capital*

	<i>At 30 June 2006</i>	
	<i>No</i>	£
Authorised:		
Ordinary shares of £0.01 each	100,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of £0.01 each	36,860,000	368,600

At the date of incorporation the Company had an authorised share capital of £50,000 divided into 50,000 Ordinary Shares of £1, each ranking pari passu in all respects and two such shares were in issue.

On 19 April 2006 the authorised share capital of the Company was increased to £1,000,000, by the creation of 950,000 Ordinary Shares of £1 each.

On 19 April 2006 the authorised share capital of the Company was re-organised into 100,000,000 Ordinary Shares of 1 pence each.

On 19 April 2006 6,659,800 Ordinary Shares of 1 pence each were issued at par for a total cash consideration of £66,598.

On the 27 April 2006, 30,200,000 new ordinary shares were issued for 10p per share. The difference between the total consideration of £3,020,000 and the nominal value of £302,000 as been credited to the share premium account, less costs of £121,690.

9.8 *Related party transactions*

There is no ultimate control.

As part of the placement 10,000,000 shares were purchased at the issue price of 10p per share by Q Capital LLP, a limited liability partnership in which the director and shareholder P J Carter is a partner.

9.9 *Employee Information*

The Company has not employed any staff since the date of its incorporation.

9.10 *Risk management objectives and policies*

The Company is exposed to a variety of financial risks which result from its operating. The Company risk management is coordinated by the board of directors, and focuses on actively securing the Companies short to medium term cash flows by minimizing the exposure to financial markets.

(a) *Credit risk*

Generally, the maximum credit risk exposure of financial assets is the carrying amount of financial assets as shown on the face of the balance sheet. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial assets' carrying amount.

The Company's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

(b) *Cash flow and fair value interest rate risks*

Cash flow is managed by means of ensuring sufficient cash and cash equivalents are held to support the trading activities of the Company. The cash and cash equivalents are invested such that the maximum available interest rate is achieved with nominal rate.

The Company currently has no financial liabilities with floating interest rates.

The fair value of cash and cash equivalents is considered to be not materially different to carrying amounts.

9.11 *Post balance sheet events*

On 28 July 2006 the Company announced that it had entered into a contracted agreement to acquire Zurex Corporation Sdn. Bhd., a company which owns the rights to a project to construct a biodiesel plant in Malaysia. The consideration for the acquisition will be satisfied by the allotment and issue by the Company to the Vendors of 66,670,000 Ordinary Shares. The acquisition is subject to shareholder approval.

PART 5

B. ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF BIOFUTURES

Grant Thornton 

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

The Directors
Biofutures International plc
8 - 12 Priestgate
PETERBOROUGH
Cambs.
PE1 1JA

30 October 2006

Dear Sirs

Biofutures International plc

We report on the financial information set out in Section A of Part 5 of Biofutures International plc's AIM Admission Document dated 30 October 2006 (the Admission Document). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in paragraph 4 of the financial information.

Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

As described in paragraph 2 the Directors and Proposed Directors of Biofutures International plc are responsible for preparing the financial information on the basis of preparation set out in note 4(a) to the financial information and in accordance with International Financial Reporting Standards (IFRS).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 30 October 2006, a true and fair view of the state of affairs of Biofutures International plc as at 30 June 2006 and of its loss, cash flows and changes in equity for the period then ended in accordance with the basis of preparation and in accordance with IFRS as described in note 4(a) and has been prepared in a form that is consistent with the accounting policies to be adopted in Biofutures International plc's next annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART 6

PRO FORMA STATEMENT OF NET ASSETS OF BIOFUTURES INTERNATIONAL PLC (THE COMPANY) AND ZUREX CORPORATION SDN. BHD. (TOGETHER THE ENLARGED GROUP)

Set out below is the unaudited pro forma statement of net assets of the Enlarged Group, prepared on the basis of the notes set out below, to illustrate how the acquisition of Zurex Corporation Sdn. Bhd., the Placing and re-Admission might have affected the net assets of the Company had they taken place on 30 June 2006. This pro forma statement has been prepared for illustrative purposes only, and because of its nature, may not give a true and fair picture of the financial position of the Enlarged Group.

	<i>Biofutures International plc</i>	<i>Zurex Corporation Sdn. Bhd.</i>	<i>Adjustments</i>			<i>Enlarged Group</i>
	<i>At 30 June 2006</i>	<i>At 30 June 2006</i>	<i>Placing net proceeds</i>	<i>Other</i>	<i>Goodwill and other intangibles</i>	
	<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3)</i>	<i>Note (4)</i>	<i>Note (5)</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets						
Intangible assets	–	–	–	–	16,665	16,665
Investments	–	–	–	16,667	(16,667)	–
Property, plant and equipment	–	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,667</u>	<u>(2)</u>	<u>16,665</u>
Current assets						
Trade receivables	–	–	–	–	–	–
Other receivables	116	–	–	–	–	116
Cash and cash equivalents	2,844	3	10,080	–	–	12,927
	<u>2,960</u>	<u>3</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Current liabilities	<u>(53)</u>	<u>(1)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(54)</u>
Net current assets/(liabilities)	<u>2,907</u>	<u>2</u>	<u>10,080</u>	<u>–</u>	<u>–</u>	<u>12,989</u>
Non-current liabilities	–	–	–	–	–	–
Net assets/(liabilities)	<u>2,907</u>	<u>2</u>	<u>10,080</u>	<u>–</u>	<u>(2)</u>	<u>29,654</u>

Notes:

- (1) The financial information relating to Biofutures International plc has been extracted, without material adjustment, from the financial information on the Company as at 30 June 2006, which is included in Part 5 of this document.
- (2) The financial information relating to Zurex Corporation Sdn. Bhd. has been extracted, without material adjustment, from the financial information on Zurex Corporation Sdn. Bhd. as at 30 June 2006, which is included in Part 4 of this document.
- (3) The adjustment reflects the estimated gross proceeds of the Placing of approximately £11,050,000, less estimated expenses of approximately £970,000.
- (4) This adjustment reflects the acquisition of Zurex Corporation Sdn. Bhd.
- (5) The consolidation adjustment is to eliminate the cost of investment in Zurex Corporation Sdn. Bhd. and recognise the goodwill and other intangible assets arising upon the acquisition of that company.
- (6) The pro-forma financial information does not constitute statutory accounts within the meaning of section 240 of the Act.
- (7) Other than the matters set out in notes (3), (4) and (5), no adjustment has been made to take account of trading, capital or other movements subsequent to the latest balance sheets and profit and loss accounts included in the financial information on Biofutures International plc and Zurex Corporation Sdn. Bhd. set out in Parts 5 and 4 respectively of this document.

PART 7

ADDITIONAL INFORMATION

1. Responsibility statements

The Directors and Proposed Directors (whose names are set out on page 4 of this document) accept responsibility for the information contained in this document save for the recommendation on page 17 for which the Directors take sole responsibility. To the best of the knowledge of the Directors and Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of that information.

2. The Company and its share capital

2.1 The Company was incorporated in England and Wales as a public limited liability company on 17 February 2006 under the name Biofutures plc. The Company is registered under the number 5712979. The Company is governed by its articles of association and by the Act (the principal legislation under which the Company operates). On 24 March 2006 the Company's name was changed to Biofutures International plc. On 28 April 2006 the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act.

2.2 The liability of the members of the Company is limited.

2.3 The Company's registered office and its principal place of business is at 8-12 Priestgate, Peterborough, PE1 1JA (telephone number: 0115 9457224).

2.4 Following completion of the Acquisition, the Company will be the holding company of Zurex, its sole subsidiary.

2.5 The authorised and issued share capital of the Company (all of which is fully paid up unless otherwise stated) at (i) the date of this document and on (ii) Admission is/will be:

	<i>Authorised share capital</i>		<i>Issued (fully paid) share capital</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
(i)	100,000,000	£1,000,000	36,860,000	£368,000
(ii)	250,000,000	£2,500,000	147,730,000	£1,477,300

2.6 At the date of incorporation, the Company had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1, each ranking pari passu in all respects and two such shares were in issue.

2.7 The following is a summary of the changes in the authorised and issued share capital of the Company from the date of incorporation:

By resolutions of the Company dated 19 April 2006:

2.7.1 the authorised share capital of the Company was increased from £50,000 to £1,000,000 by the creation of 950,000 new ordinary shares of £1 each in the capital of the Company ranking pari passu in all respects with the existing ordinary shares of £1 each in the capital of the Company in issue;

2.7.2 each share in the authorised share capital of the Company (as increased, and for the avoidance of doubt including the two such shares already in issue) was subdivided into 100 ordinary shares of £0.01 each;

2.7.3 pursuant to section 80 of the Act and in substitution for all existing authorities under that section, the directors were generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal value of £533,200, such authority to expire on the fifth anniversary of the date of the resolution, save that the Company may make an offer or agreement before such expiry which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired ("IPO Section 80 Authority");

- 2.7.4 the directors were generally empowered pursuant to section 95 to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the IPO Section 80 Authority up to a maximum aggregate nominal value of £532,000 as if section 89(1) of the Act did not apply to such allotment such power being limited to:
- 2.7.4.1 the allotment of equity securities in connection with an offer or issue to holders of Ordinary Shares where the equity securities respectively attributable to the interest of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them but including, in connection with such an issue, the making of such arrangements as the directors may deem necessary or expedient to deal with fractional entitlement or problems under the laws of any territory of the requirements of any regulatory body or stock exchange;
 - 2.7.4.2 the issue of Ordinary Shares having a nominal value not exceeding £33,300 pursuant to the exercise of the Warrants; and
 - 2.7.4.3 the allotment (other than pursuant to paragraphs 2.7.4.1 and 2.7.4.2 above) of equity securities up to an aggregate nominal value of £19,995
- such power to expire on the fifth anniversary of the date of the resolution, save that the Company may make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power conferred by this resolution has not expired.
- 2.8 On 19 April 2006 an additional 6,659,800 Ordinary Shares were issued at a price of 1 pence per share.
- 2.9 On 27 April 2006 the Warrants were issued (representing conditional rights to subscribe for an additional 3,330,000 Ordinary Shares at a subscription price of 1 pence per share) to Hichens, Harrison. Further particulars of the Warrants are set out in paragraph 8.5.1 of this Part 7.
- 2.10 On 27 April 2006 30,200,000 Ordinary Shares were issued at a price of 10p per share.
- 2.11 Subject to the passing of Resolution 1 to be proposed at the EGM, the authorised share capital of the Company will be increased from £1,000,000 to £2,500,000 by the creation of 150,000,000, new ordinary shares of £0.01 each in the capital of the Company ranking pari passu in all respects with the existing ordinary shares of £0.01 each in the capital of the Company in the issue;
- 2.12 Subject to the passing of Resolution 4 to be proposed at the EGM the Directors will be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all powers of the Company to allot the Consideration Shares and relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal value of £1,675,513, such authority to expire on the fifth anniversary of the date of the resolution, save that the Company may make an offer or agreement before such expiry which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired (“Section 80 Authority”).
- 2.13 Subject to the passing of Resolution 6 to be proposed at the EGM the Directors will be generally empowered pursuant to section 95 to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the Section 80 Authority up to a maximum aggregate nominal value of £1,256,945 as if section 89(1) of the Act did not apply to such allotment such power being limited to:
- 2.13.1 the allotment of the Consideration Shares;
 - 2.13.2 the allotment of the equity securities for cash in connection with the Placing up to an aggregate nominal amount of £442,000;
 - 2.13.3 the issue of Ordinary Shares pursuant to the exercise of the Warrants referred to in paragraphs 8.5.1 and 8.5.2 below;
 - 2.13.4 the allotment of equity securities in connection with an offer or issue to holders of Ordinary Shares where the equity securities respectively attributable to the interest of such holders are proportionate

(as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them but including, in connection with such an issue, the making of such arrangements as the Directors may deem necessary or expedient to deal with fractional entitlement or problems under the laws of any territory of the requirements of any regulatory body or stock exchange;

2.13.5 the allotment (other than pursuant to paragraphs 2.13.1, 2.13.2, 2.13.3 and 2.13.4 above) of equity securities up to an aggregate nominal value of £73,865

such power to expire on the fifth anniversary of the date of the resolution, save that the Company may make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred by this resolution has not expired.

2.14 The total number of Ordinary Shares in issue at the date of this document is therefore 36,860,000 Ordinary Shares. Pursuant to the Acquisition and the Placing a further 110,870,000 Ordinary Shares will be issued at a price of 25p per share. Following the issue of the Consideration Shares and Placing Shares, the total number of Ordinary Shares in issue will be 147,730,000.

2.15 No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

2.16 Following Admission, the Ordinary Shares may be held in either certificated form or in uncertificated form.

2.17 Save as described in this document, the Company:

2.17.1 does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company;

2.17.2 no share capital of the Company is under option or has been granted conditionally or unconditionally to be put under option;

2.17.3 the Company has no present intention to issue any of the authorised but unissued share capital of the Company.

2.18 The allotment of the New Ordinary Shares is conditional upon Admission and therefore the New Ordinary Shares will be issued with effect from Admission.

2.19 Save as otherwise disclosed in this Part 7, there are no restrictions on the free transferability of the Ordinary Shares.

2.20 There have been no public takeover bids by third parties in respect of the Existing Ordinary Shares in the last financial year nor the current financial year.

2.21 There are no mandatory takeover bids in existence in relation to the share capital of the Company and there are no squeeze-out and sell-out rules governing the Existing Ordinary Shares.

2.22 The allotment and issue of the Placing Shares and Consideration Shares will result in an immediate dilution of 75.05 per cent. to the holders of the Existing Ordinary Shares at the date of this document.

3. Substantial shareholders

3.1 Except for the interests of the Directors and Proposed Directors, which are set out in paragraph 4 below, and the interests disclosed in paragraph 3.2 below, the Directors and Proposed Directors are not aware of any holdings of Ordinary Shares as at the date of this document and immediately following Admission representing three per cent. or more of the nominal value of the share capital.

3.2 In addition to the holdings of certain of the Directors and Proposed Directors, details of which are set out in paragraph 4.1 below, the Directors and Proposed Directors are aware of the following holdings of Ordinary Shares which at 27 October 2006 (being the last practicable date prior to the publication of this document) represented three per cent. or more of the issued ordinary share capital of the Company or which will, following the Placing and Admission represent three per cent. or more of the share capital:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital at the date of this document</i>	<i>Number of Ordinary Shares in the Enlarged Issued Share Capital</i>	<i>Percentage of the Enlarged Issued Share Capital</i>
M. D. Barnard & Co. Limited	4,000,000	10.85%	4,000,000	2.71%
Artemis Investment Management Limited	2,500,000	6.78%	2,500,000	1.69%
Gartmore Investment Management Limited	2,500,000	6.78%	10,500,000	7.11%
Modal Capital Partners Limited	2,000,000	5.43%	8,436,042	5.71%
UBS AG	2,000,000	5.43%	2,000,000	1.35%
Goldman Sachs Inc	1,950,000	5.29%	1,950,000	1.32%
MooreMacro Fund, LP	1,800,000	4.88%	1,800,000	1.22%
Sanlam Global Best Ideas Fund	1,200,000	3.26%	1,200,000	0.81%

4. Directors' and others' interests

- 4.1 As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated) of the Directors, the Proposed Directors and any senior managers who are relevant to establishing that the Company has the appropriate expertise and experience for the management of the Company's business and persons connected with them (within the meaning of section 346 of the Act) in the issued share capital of the Company which (i) have been notified by each Director, Proposed Director and senior manager to the Company pursuant to section 324 and/or section 328 of the Act, or (ii) which are required to be entered in the register maintained under section 325 of the Act, or (iii) so far as the Directors are aware having made due and proper enquiry of such persons as are connected (within the meaning of section 346 of the Act) with each Director or Proposed Director, are interests of a connected person of a Director or Proposed Director which would, if the connected person were a director of the Company, be required to be disclosed under paragraphs (i) or (ii) above are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital at the date of this document</i>	<i>Number of Ordinary Shares in the Enlarged Issued Share Capital</i>	<i>Percentage of the Enlarged Issued Share Capital</i>
Nicholas Gee	25,000	–	25,000	0.02%
Julie Pomeroy	–	–	200,000	0.14%
Phillip Carter	16,660,000	45.2%	16,660,000	11.28%
Christopher Price	–	–	–	–
Wong Kai Fatt	–	–	13,334,000	9.03%
Lim Kwee Gee	–	–	34,268,380	23.20%

- 4.2 The following Directors have been granted awards over Ordinary Shares under the LTIP (subject to the passing of Resolution 5):

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital at the date of this document</i>	<i>Number of Ordinary Shares in the Enlarged Issued Share Capital</i>	<i>Percentage of the Enlarged Issued Share Capital</i>
Nicholas Gee	2,000,000	8.14%	2,000,000	1.35%
Julie Pomeroy	600,000	1.63%	600,000	0.41%

- 4.3 Save as disclosed in this document, none of the Directors or Proposed Directors holds any options to subscribe for shares of the Company nor warrants exercisable into shares of the Company.

- 4.4 Save as disclosed in this document, none of the Directors or Proposed Directors holds any securities convertible into shares of the Company.
- 4.5 Except as disclosed in paragraph 4.1 above, none of the Directors or Proposed Directors, nor any member of their respective immediate families, nor any person connected with them within section 346 of the Act, is interested in any share capital of the Company.
- 4.6 Hichens, Harrison is interested in warrants to subscribe for 3,330,000 Ordinary Shares. Further details on the terms on which these warrants have been granted are set out in paragraph 8.5.1 of this Part 7.
- 4.7 Ruegg & Co is interested in warrants to subscribe for 1,107,975 Ordinary Shares. Further details of on the terms on which these warrants have been granted are set out in paragraph 8.5.2 of this Part 7.
- 4.8 Wayne Rudd has been granted an award over 3,000,000 Ordinary Shares. Further details of the terms on which this award has been granted are set out in paragraph 8.5.3 of this Part 7.
- 4.9 Save as disclosed in paragraph 3.2 and save in respect of the Concert Party (further details of which are set out in Part I), the Company is not aware of any other persons who, immediately following Admission, will directly or indirectly, jointly or severally, exercise or could exercise control over the Company and are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 4.10 No major shareholders of the Company have different voting rights from other Shareholders prior to Admission. On Admission, no shareholders of the Company will have different voting rights.
- 4.11 Save as otherwise disclosed in this document, no Director or Proposed Director has or has had any interests in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of Zurex or the Company and which was effected by any member of Zurex or the Company in the current or immediately preceding financial year of Zurex or the Company or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 4.12 Save as otherwise disclosed in this document, no Director or Proposed Director has, or has had any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of Zurex or the Group or which are proposed to be acquired of by, or leased to, any member of Zurex or the Company.
- 4.13 Save as otherwise disclosed in this document, there are no outstanding loans granted by any member of Zurex or the Company to any Director or Proposed Director or granted by any Director or Proposed Director to any member of Zurex or the Company, nor are there any guarantees provided by any member of Zurex or the Company for the benefit of any Director or provided by any Director to any member of Zurex or the Company.
- 4.14 None of the Directors, Proposed Directors or persons connected with them within the meaning of Section 346 of the Act has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

5. Directors' Agreements and Letters of Appointment

On admission of the Company to AIM in April 2006, each of Nicholas Gee, Christopher Price and Phillip Carter entered into service agreements/letters of appointment with the Company. Under these arrangements, these directors agreed to waive all entitlements to salary until such time as the Company has made a substantial acquisition which had received shareholders approval and was in line with the Company's investment strategy. Therefore, as at the date of this document, none of Nicholas Gee, Christopher Price or Phillip Carter have received any remuneration from the Company in respect of services rendered. The proposed acquisition of Zurex is such an acquisition and therefore, certain of the Directors have entered into new service agreements or amended their existing agreements, details of which are set out below.

5.1 *Executive Directors*

- 5.1.1 Pursuant to a service agreement dated 27 October 2006 Nicholas Gee was appointed Executive Chairman of the Company with effect from IPO Admission. Mr Gee is required to devote sufficient time and attention to the business of the Company as is necessary for the fulfillment of his duties. Mr Gee is entitled to an annual gross salary of £100,000 and an additional payment of 10 per cent. of gross salary in respect of his pension (both of which take effect from IPO Admission). Given Mr Gee's current interests in other companies through his business Cobalt Blue Limited, Mr Gee may continue to hold such interests during the period of his appointment but he may not obtain an interest in any further companies which are or are likely to become competitive with the Company within a six month period without the consent of the Board. Mr Gee is entitled to private medical insurance, permanent health insurance and life assurance cover. Mr Gee is subject to a confidentiality undertaking without limitation of time and is also subject to non-compete, non-solicitation and non-dealing restrictive covenants for a maximum period of 6 months following termination of his employment contract. Mr Gee's employment may be terminated either by the Company or Mr Gee providing 6 months written notice. Mr Gee's service agreement is conditional upon Admission.
- 5.1.2 Pursuant to a service agreement dated 27 October 2006 Julie Pomeroy was appointed Finance Director of the Company with effect from 24 August 2006. Mrs Pomeroy is engaged as a part-time employee and she is required to devote five days a month to the business of the Company. Mrs Pomeroy is entitled to an annual gross salary of £50,000 and £750 per day for each additional day spent over the five days per month. Given her part-time status, Ms Pomeroy is able to work for other companies concurrently with the Company provided such companies are not competitive with the Company. Mrs Pomeroy is entitled to private medical insurance and life assurance cover. Mrs Pomeroy is subject to a confidentiality undertaking without limitation of time and is also subject to non-compete, non-solicitation and non-dealing restrictive covenants for a maximum period of 6 months following termination of her employment contract. Mrs Pomeroy's employment may be terminated either by the Company or Mrs Pomeroy providing one month's notice before Admission or 6 months written notice after Admission.
- 5.1.3 The employment of each Executive Director may be terminated by the Company without notice if the Executive Director has (i) committed any serious breach or has received a written warning by the Board, (ii) repeated any breach or is guilty of continuing to breach any of the terms of their respective service agreement, (iii) if the Company reasonably believes that the Executive Director is guilty of any gross misconduct or (after warning) wilful neglect in the discharge of their respective duties, (iv) if the Executive Director is guilty of any fraud, dishonesty or conduct which shall bring such Executive Director, the Company or any group company into serious disrepute, (v) if the Executive Director becomes of unsound mind, bankrupt, makes an arrangement or composition with his creditors, (vi) if the Executive Director becomes disqualified from being a director of a company or resigns as a director of the Company other than at the request of the Board or (vii) if the Executive Director is convicted of a criminal offence (other than a motoring offence which does not result in imprisonment). In the event of such termination, as set out above, the Company is not obliged to make any further payments to the respective Executive Director, except in relation to such salary and payment in lieu of holiday entitlement as has accrued at the date of termination.
- 5.1.4 When lawful notice has been given by either the Company or the Executive Director to terminate the Executive Director's employment, the Company has absolute discretion to terminate the respective Executive Director's service contract by written notice with immediate effect by paying to the respective Executive Director an amount equal to such Executive Director's basic salary entitlement for the unexpired period of notice together with a further amount equal to the fair value of any other benefits the Executive Director is contractually entitled to.
- 5.1.5 Each of the Executive Directors is eligible to be considered for a discretionary bonus to be determined by the remuneration committee.
- 5.1.6 Each of the Executive Directors is entitled to participate in the LTIP, subject to the terms and conditions of such plans.

5.2 *Non-executive Directors and Proposed Directors*

- 5.2.1 Pursuant to a letter of appointment dated 27 April 2006, Phillip Carter was appointed as a non-executive director with effect from IPO Admission. The agreement is for an initial period of twelve months and thereafter may be terminated by either party on one month's notice. This agreement was amended by a letter dated 27 October 2006 to provide for an annual directors' fee of £30,000 with effect from Admission.
- 5.2.2 Pursuant to a letter of appointment dated 27 April 2006 Christopher Price was appointed as a non-executive director with effect from IPO Admission. The agreement is for an initial period of twelve months and thereafter may be terminated by either party on one month's notice. This agreement was amended by a letter dated 27 October 2006 to provide for his appointment as Senior Independent Director and an annual directors fee of £33,000 with effect from Admission.
- 5.2.3 Pursuant to a letter of appointment dated 27 October 2006, Wong Kai Fatt was appointed as a non-executive director conditional upon but with effect immediately following Admission. The agreement is for an initial period of twelve months and thereafter may be terminated by either party on one month's notice. No fee is payable to Wong Kai Fatt for his services as a non-executive director.
- 5.2.4 Pursuant to a letter of appointment dated 27 October 2006, Lim Kwee Gee was appointed as a non-executive director conditional upon but with effect immediately following Admission. The agreement is for an initial period of twelve months and thereafter may be terminated by either party on one month's notice. No fee is payable to Lim Kwee Gee for his services as a non-executive director.
- 5.2.5 No Non-executive Director is eligible to participate in any incentive or pension arrangements.
- 5.2.6 Each of the Non-executive Directors are entitled to be reimbursed in full for all reasonable out of pocket expenses which he properly incurs in the course of performing his duties as Non-executive Director of the Company. Each Non-executive Director is to consult the Board in the event of any conflict of interest and to obtain the Board's prior approval to acquire interests in another company or to accept a position with another company and the appointment of each of the Non-executive Directors can be terminated by the Company without notice and without payment of compensation in the event that any Non-executive Director accepts a position with or acquires interests in another company without prior board approval, which in the board's reasonable opinion, is likely to give rise to a material conflict of interest with the Non-executive Directors' position's a director of the Company.
- 5.3 Wong Kai Fatt is engaged as an executive director of Zurex and is required to devote all his time and attention to the business of the Company. Mr Kai Fatt is entitled to an annual gross salary of £30,000. Mr Kai Fatt is subject to a confidentiality undertaking without limitation of time but is not subject to non-compete, non-solicitation and non-dealing restrictive covenants for a maximum period of 6 months following termination of his employment contract as these are not permitted under Malaysian law. Mr Kai Fatt's employment may be terminated either by Zurex or Mr Kai Fatt providing 6 months written notice. The summary of the termination provisions set out in paragraph 5.1.3 above also apply to Mr Kai Fatt's agreement with Zurex as if the reference to "Executive Director" refers to Mr Kai Fatt and references to the "Company" are references to Zurex.
- 5.4 Save as set out above, there are no existing or proposed service contracts between any of the Directors or Proposed Directors and the Company and there are no existing or proposed service contracts between any of the Directors or Proposed Directors and the Company which provides for benefits upon termination of employment.
- 5.5 Save as disclosed, there are no other arrangements pursuant to which any Director or Proposed Director has agreed to waive future emoluments nor have there been any such waivers of emoluments during the current financial year.
- 5.6 The Directors and Proposed Directors hold or have held the following directorships and/or partnerships (in addition, where relevant, to being a director of the Company) within the five years prior to the publication of this document:

<i>Director</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Nicholas Gee	Cobalt Blue Limited Cobalt Green Limited Cobalt Red Limited	Weatherford Completion Systems (UK) Limited Global Marine UK Limited E2 Tech Limited

<i>Director</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Julie Pomeroy	None	Carter and Carter Group plc Carter and Carter Limited EMTEC Holdings Limited EMTEC Colleges Limited EMTEC (Specialised Services) Limited EMTEC (Leicestershire) Limited EMTEC (Derbyshire) Limited Motor Systems Limited WGP 100 Limited WGP 1 Limited Intraject Limited (dormant throughout)
<i>Director</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Phillip Carter	PJC Peterborough Limited Statusinput Limited Anchor Properties Inc. Carter & Carter Group plc Carter & Carter Limited Assa Training and Learning Limited Emtec Holdings Limited Emtec (Specialised Services) Limited Assa Training and Development Assa Training and Development Limited Alston Training and Development Limited Fern Training and Development Limited Assa Solutions Limited The Assa Group Limited The Assa Hub Materials Limited Future Builders (Leicester) Limited The Assa Hub Limited Assa Gateway.com Limited Assa Research Limited Assa Virtual Learning Limited Goolecom Training Limited Crossco (649) Limited Crossco 648 Limited Stancliffe Ed Limited Stancliffe Holdings Limited Retail Motor Industry Training Limited	Complete I.T. Limited Rayfield Limited DW Norris Limited Enterstand Limited Selective Credit Solutions Limited European Customer Solutions Limited Fairfax Gerrard Limited
	<i>Current Partnerships</i>	
	Qcapital LLP Carter & Carter Partnership	
	<i>Current Directorships</i>	<i>Past Directorships</i>
Christopher Price	None	F Systems Limited
Lim Kwee Gee	Lim Thian Hock Corporation Sdn Bhd* Allied Change Sdn Bhd* Double Ditto Sdn Bhd* Profound Star Sdn Bhd* Asia Telco Sdn Bhd* SEA Metal Products (M) Sdn Bhd* Wawasan Gergasi Sdn Bhd* Medi-Flex Limited+ Hiclean International Pte Ltd+ ANC Group Private Limited+ i-Invest Private Limited+ Arthur J Stewart Group Limited^	Atlantic Pine Sdn Bhd* Eco Water Ltd+ Eco Water Technologies Pte Ltd+ Beanstalk Ventures Pte Ltd+ Labis Resources Sdn Bhd* Tropical Interest Sdn Bhd*

	<i>Current Directorships</i>	<i>Past Directorships</i>
Wong Kai Fatt	DocJoe EXIM* Eagle Assets SB* Trinity Global Finance Inc Trident Securities Ltd eAssetManagement SB* Fullerton Investment Ltd* Arthur J Stewart Group Ltd+ Ethical Plantations SB* Zurex Corporation SB* Medi-Flex Ltd+	Sim Lim Solomon Aquaculture Development Holdings Ltd Hiap Aik Construction Bhd*

* Incorporated in Malaysia

+ Incorporated in Singapore

^Incorporated in British Virgin Islands

- 5.7 Phillip Carter resigned as a director of D W Norris Limited on 26 July 2001. Liquidators were appointed to the company pursuant to a creditors voluntary liquidation on 9 November 2001. The estimated shortfall to creditors as at 9 November 2001 was £3,958,869.71 (such information being derived from the Statement of Company's Affairs dated 6 November 2001).
- 5.8 Julie Pomeroy resigned as a director of WGP 1 Limited (formerly known as Weston Medical Group plc) and WGP 100 Limited (formerly known as Weston Medical Limited) on 30 November 2002. These companies went into members voluntary liquidation which is now completed with a small return to shareholders.
- 5.9 Wong Kai Fatt was appointed to the board of Hiap Aik Construction Bhd by the special Administrator for the restructuring of the company to represent, to facilitate and to help safeguard minority interests during the successful restructuring of the company. He resigned on 10 June 2004 after completing the task.
- 5.10 Save as disclosed above none of the Directors or Proposed Directors have:
- 5.10.1 any unspent convictions relating to indictable offences;
- 5.10.2 had a bankruptcy order made against him or entered into any individual voluntary arrangements;
- 5.10.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
- 5.10.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within 12 months preceding, such events;
- 5.10.5 had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or
- 5.10.6 been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6. Memorandum and Articles of Association

6.1 The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as a general commercial company (including the carrying on of any trade or business whatsoever and the doing of all things which are incidental or conducive to the carrying on of any trade or business).

6.2 Articles of association

The articles of association of the Company adopted, conditionally upon Admission, pursuant to a written resolution of the Company passed on 19 April 2006 ("**Articles**") include provisions to the following effect:

6.2.1 Voting rights

Subject to any terms as to voting upon which any shares may have been issued or may for the time being be held and to any disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure of interests in shares in the Company, at a general meeting of the Company:

6.2.1.1 every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member, shall, on a show of hands, have one vote; and

6.2.1.2 every member present in person or by representative (in the case of a corporate member) or by proxy shall, on a poll, have one vote for every share of which he is the holder.

Unless the board otherwise determines, a member shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

6.2.2 Dividends

Subject to the provisions of the Acts (as defined in the Articles) and of the Articles, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests in the profits of the Company, but no dividend shall exceed the amount recommended by the board. Subject to the provisions of the Acts, the board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the board to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

Without prejudice to the provisions of the Articles, the board may, with the authority of an ordinary resolution of the Company:

6.2.2.1 offer holders of ordinary shares the right to elect to receive further ordinary shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution;

6.2.2.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

6.2.3 Distribution of assets on a winding-up

On a winding-up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of members as he may determine. The liquidator shall not, however (except with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

6.2.4 Transfer of shares

Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

Every transfer of shares which are in uncertificated form must be made by means of a relevant system (as defined in the Uncertificated Securities Regulations 2001).

The board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (a) it is in respect of a share which is not fully paid up; (b) it is in respect of more than one class of share; (c) it is not duly stamped (if so required); or (d) it is not delivered for registration to the registered office of the Company or such other place as the board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer.

The board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (a) a child, bankrupt or person of unsound mind; or (b) more than four joint transferees.

In the case of shares in certificated form, the registration of transfers of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the board may from time to time determine.

In the case of shares in uncertificated form, the register shall not be closed without the consent of the Operator of the relevant system (as defined in the Articles).

6.2.5 Variation of class rights

Subject to the provisions of the Acts, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question or, at an adjourned meeting, two persons holding shares of the class in question or his proxy. Any holder of shares of the class in question present in person or by proxy may demand a poll. Holders of shares of the class in question shall, on a poll, have one vote for every share of that class held by them.

The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

6.2.6 Share capital, changes in capital and purchase of own shares

Subject to the provisions of the Acts and the Articles, the power of the Company to allot and issue shares shall be exercised by the board at such times and on such terms and conditions as the board may determine.

Subject to the provisions of the Acts and to any rights attached to any existing shares: (a) any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution; and (b) the Company may issue redeemable shares.

The Company may, by ordinary resolution, (a) increase its share capital; (b) consolidate, or consolidate and then divide, all or any of its shares into shares of a larger amount; (c) sub-divide its shares or any of them into shares of a smaller amount and as a part of such sub-division determine that any of such shares may have any preference or other advantage or deferred or qualified rights or be subject to any restriction as compared with the others; (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and (e) convert all or any of its paid up shares into stock, and re-convert that stock into paid up shares of any denomination.

Subject to the provisions of the Acts, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Subject to the provisions of the Acts, the Company may purchase all or any of its shares of any class (including redeemable shares).

6.2.7 Directors

Unless otherwise determined by ordinary resolution, there shall be no maximum number of directors, but the number of directors shall not be less than two.

Subject to the provisions of the Acts and provided that he has disclosed to the directors the nature and extent of any interest, a director may:

- 6.2.7.1 enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;
- 6.2.7.2 hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and be remunerated accordingly;
- 6.2.7.3 be a director or other officer, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
- 6.2.7.4 shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal.

Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially interested, directly or indirectly (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company); provided that a director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates:

- (a) to the giving of any guarantee, security or indemnity in respect of
 - (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or
 - (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (b) to an offer of securities of the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (c) to another company in which he and any persons connected with him has a direct or indirect interest of any kind, provided that he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent or more of either any class of equity share capital, or the voting rights, in such company;
- (d) to any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (e) to any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.

A director shall not vote or be counted in the quorum on any resolution of the board or any committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

Unless otherwise determined by the Company by ordinary resolution, the directors (other than alternate directors) who do not hold executive office shall be paid for their services as directors such aggregate fees (not exceeding £200,000 per annum) as the board may decide, to be divided among the directors in such proportion and manner as it may determine or, in default of determination, equally. Such maximum level of fees shall be increased in line with the increase in the General Index of Retail Prices. Any fee payable shall accrue from day to day and shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to other provisions of the Articles.

Each director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director, including any expenses incurred in attending meetings of the board or of any committees of the board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Any director who performs special services for the Company may be paid such extra remuneration by way of additional fees, salary, percentage of profits or otherwise as the board may determine.

At each annual general meeting of the Company, there shall be required to retire by rotation: (a) one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third; and (b) in addition, any director who at an annual general meeting shall have been a director at each of the preceding two annual general meetings of the Company (provided that he was not appointed or reappointed at either such annual general meeting and he has not otherwise ceased to be a director and been reappointed by general meeting of the Company at or since either such annual general meeting), and each such retiring director may, if eligible, offer himself for re-election. The directors to retire by rotation shall first be those who wish to retire and not offer themselves for re-election and secondly those who have been longest in office since their last appointment or reappointment and, in the case of those who have been in office an equal length of time, shall, unless they agree otherwise, be determined by lot. Any director appointed by the board shall hold office only until the next annual general meeting, when he shall be eligible for appointment, but shall not be taken into account in determining the directors to retire by rotation at that meeting.

No person shall be or become incapable of being appointed a director by reason of his having attained the age of 70 or any other age and no special notice shall be required in connection with the appointment or the approval of the appointment of any such person, nor shall a director be required to retire by reason of his having attained that or any other age.

Directors shall not be required to hold any shares in the Company.

6.2.8 General meetings

6.2.8.1 The Board shall convene and the Company shall hold general meetings as extraordinary general meetings in accordance with the requirements of the Act. The Board may call general meetings at such times and places as it shall determine. The Company shall hold an annual general meeting once every year in addition to any other general meetings which are held in the year. The period between one annual general meeting and the next shall not be more than 15 months.

6.2.8.2 At any annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution at least 21 clear days' notice in writing shall be given and for any other extraordinary general meeting at least 14 clear days' notice in writing shall be given. Notice shall be given to those members who are on the register of members at the close of business at a date determined by the Board, being not more than 21 days before the day that the notice of general meeting is despatched (other than any who under the provisions of the Articles or of any restrictions imposed on any shares are not entitled to receive notice from the Company).

6.2.9 Change of control

There are no specific provisions in the Articles which would, or might, have an effect of delaying, deferring or preventing a change of control of the issuer.

6.2.10 Borrowing Powers

Subject to the provisions of the Acts, the board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party without restriction.

6.2.11 Pensions and benefits

The board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

6.2.12 Untraced shareholders

The Company may sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by virtue of transmission on the death or bankruptcy of a member or otherwise by operation of law if all dividends, warrants and cheques sent, or funds transferred, to such member or person have remained uncashed or been returned to the Company, respectively, for a period of 12 years; the Company has paid at least three cash dividends in respect of those shares during such period; and the Company has, on the expiration of such period given notice of its intention to sell such shares in a national newspaper and an appropriate local newspaper, and no indication is received as to the whereabouts or existence of such member or persons.

The Company shall account to the member or other person entitled to such shares for the net proceeds of such sale.

6.2.13 Disclosure of Shares

As provided by section 199 of the Companies Act 1985, a person has a notifiable interest in the share capital of the Company when (i) he has material interests with an aggregate nominal value equal to or greater than three per cent, of the nominal value of the share capital or (ii) not having such an interest by virtue of (i) above, the aggregate nominal value of the shares in which he has interests (whether or not these are material interests) is equal to or more than ten per cent of that share capital

Where a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act failed in relation to any shares (“default shares”) to give the Company the information required by that notice within the prescribed period from the date of service of the notice then, unless the board otherwise determines the member shall not be entitled in respect of the default shares and any other shares held by him to be present or to vote at any general meeting or at any separate meeting of the holders of any class of shares, or on any poll, or to exercise any other right conferred by membership in relation to any such meeting or poll. Where the default shares represent at least 0.25 per cent in nominal value of the issued shares of their class any dividend or other monies payable in respect of the default shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the member shall not be entitled to elect to receive shares instead of a dividend. Any notice issued pursuant to section 212 of the Act may treat certificated and uncertificated shares of a holder as separate holdings and either apply only to certificated shares or to uncertificated shares or make different provision for certificated and uncertificated shares.

7. Share schemes

The principal features of the LTIP are as follows:

7.1 Participation

The LTIP will be administered by the remuneration committee of the board of directors (“**Committee**”) and may be operated in conjunction with the trustee of an employee benefit trust (“**Trust**”).

All executive directors and other employees are entitled to be considered for the grant of awards under the LTIP (“Awards”). After due consideration, the Committee will make Awards to selected participants. The intention of the Committee is to restrict the grant of Awards to executive directors and members of middle management who have demonstrated the potential to make a substantial contribution to the business. The Awards will take the form of nil or nominal cost options over a specified number of Ordinary Shares, granted by the Company or by the trustee of the Trust acting on the recommendation of the Committee. Awards are not transferable or assignable and none of the benefits received under the LTIP will be pensionable.

7.2 Performance Targets and Vesting

The vesting of the Ordinary Shares over which an Award has been made will be dependent upon the achievement of performance targets. The first performance target selected by the Committee is based as to 80% of each Award on the achievement by October 2008 of targets relating to the operation of the Plant and as to the remaining 20% on the Company’s earnings per share over the 12 months to October 2009. The measurement period will generally be three financial years.

In addition and irrespective of the performance target, no Award will vest unless in the opinion of the Committee the underlying financial performance of the Company has been satisfactory over the measurement period and, in the case of the initial grants, the share price is above the Placing Price.

7.3 Cessation of employment

A participant who ceases to be an employee before the end of the measurement period will not be entitled to the vesting of any Ordinary Shares until after the end of the measurement period. A participant who ceases to be an employee as a good leaver (i.e. by reason of his death, disability, redundancy, injury or because the business or company for which he works is sold out of the group) will receive at the end of the measurement period a number of Ordinary Shares calculated as above, but scaled down to take account of length of service since the date of the Award as a proportion of the measurement period. At the discretion of the Committee, participants who leave for other reasons may, exceptionally, be treated as a good leavers for these purposes.

7.4 Takeover, amalgamation and reconstruction

In the case of a takeover that takes place within the measurement period, the performance targets would be assessed during the period commencing on the date of the Award and ending on the occurrence of the takeover, using the method of calculation selected by the Committee. In the case of initial awards, these will not vest unless the share price has risen since the date of grant.

7.5 Vesting of Awards

At the end of the measurement period, a participant in the LTIP will have to pay nil or nominal value to obtain full ownership of the Ordinary Shares which have vested. In respect of the Ordinary Shares over which Awards are exercised, the Trust (if satisfying Awards) will acquire the relevant number of Ordinary Shares by subscribing for new Ordinary Shares or by acquiring Ordinary Shares in the market.

7.6 Variation of share capital

In the event of a variation of the ordinary share capital of the Company by way of capitalisation, rights issue, sub-division, consolidation, reduction of share capital, or similar, the number of Ordinary Shares subject to an Award has been made and the exercise price may be adjusted by the Board.

7.7 Amendments to the LTIP

The Board may amend the terms of the LTIP, provided that shareholder approval is required for certain amendments to the material advantage of participants, unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation treatment for the Company or the participants.

7.8 Duration of the the LTIP

The life of the LTIP will be ten years and no Awards may be made more than ten years after the date of the forthcoming general meeting.

7.9 Overall Limit

No Award may be granted on any date if, as a result, the number of Ordinary Shares issuable pursuant to subsisting Awards or options, when added to the number of Ordinary Shares issued pursuant to Awards or options granted over the previous ten years under the LTIP or any other employees' share scheme operated by the Group, would exceed ten percent. of the issued ordinary share capital of the Company on that date.

8. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by the Company or Zurex and are, or may be, material to the Company or Zurex or have been entered into by the Company or Zurex and contain a provision under which either member of the Company or Zurex has an obligation or entitlement which is material to the Company or Zurex at the date of this document:

Contracts entered into by the Company

8.1 Acquisition Agreement

8.1.1 Pursuant to a contract dated 28 July 2006 between the Vendors and the Company, the Company agreed to purchase the entire issued share capital of Zurex in consideration of the issue to the Vendors of the Consideration Shares. The Vendors gave certain undertakings in relation to the Consideration Shares. These undertakings have been varied by the Lock-In Agreements, described in paragraph 8.6 below.

8.1.2 The Acquisition Agreement is conditional upon, inter alia, Zurex having entered into the Land Acquisition Agreement (as referred to in paragraph 8.7 below) on terms reasonably acceptable to the Company, a satisfactory outcome of due diligence on Zurex and approval of shareholders in the Company. The Acquisition Agreement is also conditional upon the Company obtaining the necessary financing to acquire the Site and construct the Plant. This condition has been varied by a letter of agreement dated 27 October 2006 ("the Letter") between the Company and the Vendors pursuant to which it is agreed that the condition will be deemed to be satisfied on Admission. The cut-off date for satisfaction of the conditions (following which any party may terminate the Acquisition Agreement) has been extended under the terms of the Letter to 28 December 2006.

8.1.3 Within three months of the date of the Acquisition Agreement the Company is to have applied for approvals from the relevant authorities.

8.1.4 Under the Acquisition Agreement the Company agreed to lend to Zurex RM2,613,600 on Zurex entering into the Land Acquisition Agreement. Zurex shall use such amount as the non-refundable deposit for the Land Acquisition Agreement. The Company has agreed to provide a further loan of RM5,227,200, which shall be drawn upon by Zurex when it is required to pay such amount under the Land Acquisition Agreement, subject to the Company having received a survey report on the Site reasonably satisfactory to it and having obtained necessary financing for the project. Such loans are to be interest free and are repayable by Zurex or the Vendors on demand at any time after termination of the Acquisition Agreement save, inter alia, in the event the Company is in continuing or material breach of the Acquisition Agreement.

8.1.5 The Vendors gave full warranties about Zurex, inter alia, as to information about Zurex disclosed to the Company, the dormancy of Zurex, its accounts, taxation position, and as to its insolvency and Completion of the Acquisition Agreement is conditional upon, inter alia, there having been no material adverse change in Zurex since the date of the Acquisition Agreement and the warranties remaining true.

8.1.6 The Company may terminate the Acquisition Agreement prior to completion if, inter alia, the Vendors commit a material breach of the Acquisition Agreement, if there is a material adverse change affecting Zurex, and if there is a material breach of the Vendors' warranties.

8.1.7 The Vendors may terminate the Acquisition Agreement at any time, inter alia, if the Purchaser commits a material breach of its obligations under the Agreement and, in such circumstances the loans made by the Company to Zurex are forfeited in favour of the Vendors.

8.1.8 It is a term of the Acquisition Agreement that the Company shall procure that two of the Vendors be appointed as directors of the Company upon Completion.

8.2 Placing Agreement

8.2.1. On 27 October 2006, the Company entered into a Placing Agreement with the Directors, the Proposed Directors and Hichens, Harrison pursuant to which Hichens, Harrison has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional, inter alia, on the Acquisition Agreement becoming unconditional, the passing of the Resolutions at the EGM and Admission taking place by no later than 7 December 2006.

8.2.2. In consideration of its services in respect of the Placing and conditional on Admission, the Company will pay Hichens, Harrison a commission of 5 per cent. of the aggregate value at the Placing Price of the Placing Shares in respect of which subscribers have been procured by Hichens, Harrison.

8.2.3. The Placing Agreement contains warranties given by the Company as to the accuracy of the information contained in this document and other matters relating to the Company, Zurex and their respective businesses. The Placing Agreement also contains a warranty given by the Proposed Directors as to the accuracy of the warranties given by them pursuant to the Acquisition Agreement. The liability of the Proposed Directors is limited in time. In addition, the Company has given an indemnity to Hichens, Harrison in respect of certain matters.

8.2.4. Hichens, Harrison is entitled to terminate the Placing Agreement prior to Admission, principally in the event of a material breach of the Placing Agreement or if any of the warranties contained in it are breached or if an event of force majeure arises.

8.3 Nominated Adviser Agreements

8.3.1 Under a letter agreement dated 18 March 2006 between Ruegg & Co and the Company, the Company appointed Ruegg & Co to act as the Company's Nominated Adviser for the purposes of the AIM Rules in respect of its original admission to AIM. Under the agreement the Company paid £40,000 plus VAT and disbursements.

8.3.2 By an agreement dated 27 April 2006 between Ruegg & Co (1) the Company (2) and the Directors (3) (the "Nominated Adviser Agreement") Ruegg & Co agreed to act as Nominated Adviser to the Company for an initial period of 12 months and thereafter subject to three months' written notice by either party. Ruegg & Co may nevertheless terminate its appointment as Nominated Adviser at any time if the Company or the Directors are in breach of their obligations or if there are circumstances in which Ruegg & Co, in its absolute discretion, forms the opinion that it is no longer suitable for the Company's shares to be traded on AIM.

Under the Nominated Adviser Agreement the Company agreed to pay Ruegg & Co a fee of £12,000 per annum (increasing to £20,000 per annum on completion of a substantial transaction or reverse takeover (which includes the Acquisition)) for acting as Nominated Adviser and such fee shall be payable quarterly in advance.

The Nominated Adviser Agreement contains indemnities from the Company to Ruegg & Co and warranties which have been given to Ruegg & Co by the Directors and the Company.

8.3.3 A letter of engagement dated 17 October 2006 between the Company and Ruegg & Co pursuant to which Ruegg & Co agreed to advise and assist the Company in respect of the Proposals. Ruegg & Co is entitled to an initial fee of £20,000 plus VAT upon the signing of this engagement letter and will receive a fee of £20,000 plus VAT four weeks, eight weeks and twelve weeks after the signing of this engagement letter, a fee of £20,000 payable immediately upon mailing of the circular to Shareholders and/or publication of this Admission document, and immediately following Admission a fee of £50,000 plus VAT and any disbursements. In addition the Company agreed to grant Ruegg & Co the warrants described in paragraph 8.5.2 below.

8.4 Provision of Broker Services

On 19 April 2006, the Company entered into a broker appointment letter with Hichens, Harrison pursuant to which the Company appointed Hichens, Harrison as broker to the Company for a minimum period of

12 months. Under this agreement the Company paid Hichens, Harrison the Warrants as described in paragraph 8.5.1 below. In addition the Company will pay an annual fee of £10,000 to Hichens, Harrison for acting as broker with effect from the first anniversary of Admission.

8.5 Warrants and Options

- 8.5.1. On 27 April 2006, the Company, in connection with the IPO Admission, granted warrants to subscribe for 3,330,000 new Ordinary Shares to Hichens, Harrison. The subscription price payable under the warrant instrument is 1p per ordinary Share (subject to adjustment in limited circumstances). The warrants are exercisable at any time after the IPO Admission subject to the Company having completed one or more transactions introduced to it by Hichens, Harrison. The subscription rights under the warrants will expire on the fifth anniversary of the IPO Admission to the extent not previously exercised. However Hichens, Harrison intends to exercise the warrants immediately following Admission. Hichens, Harrison is required to retain the Ordinary Shares issued to it on exercise of the warrants for a period of one year following the date of such exercise.
- 8.5.2. On 27 October 2006, the Company, in connection with the Admission, granted warrants to subscribe for such number of new Ordinary Shares as shall equal 0.75 per cent. of the aggregate number of Ordinary Shares in issue immediately following Admission to Ruegg & Co. The subscription price payable under the warrant instrument is the Placing Price (subject to adjustment in limited circumstances). The warrants are exercisable at any time after Admission. The subscription rights under the warrants will expire on the fifth anniversary of Admission to the extent not previously exercised.
- 8.5.3. On 27 October 2006 the Company granted an option to Wayne Rudd to acquire 3,000,000 Ordinary Shares at nominal value, conditional upon Admission. The terms of Mr Rudd's award (including the performance conditions applying to it) are in all material respects the same as those applying to the initial awards under the LTIP, in which Mr Rudd, as a consultant, is ineligible to participate.

8.6 Lock-in and Orderly Market Deeds

- 8.6.1. Pursuant to lock-in and orderly market deeds dated 27 October 2006, each of the Directors have undertaken to the Company and Hichens, Harrison, subject to certain exceptions in accordance with the AIM Rules (including the ability to accept a take-over offer for the Company or to give irrevocable undertakings to accept the same), that he will not and shall use all reasonable endeavours to procure that each person connected with him will not dispose of or agree to dispose of any Ordinary Shares in which he is interested at any time before the first anniversary of Admission (“Initial Period”). Each of the Directors have also undertaken to the Company and Hichens, Harrison, subject to the same exceptions, that he will effect and shall use all reasonable endeavours to procure that each person connected with him effects any sales or disposals of Ordinary Shares from the end of the Initial Period until the second anniversary of Admission through Hichens, Harrison or the Company’s broker at the relevant time.
- 8.6.2. Pursuant to lock-in and orderly market deeds dated 27 October 2006, each of the Lock-In Persons other than the Directors have undertaken to the Company and Hichens, Harrison, subject to certain exceptions in accordance with the AIM Rules (including the ability to accept a take-over offer for the Company or to give irrevocable undertakings to accept the same), that he will not and shall use all reasonable endeavours to procure that each person connected with him will not dispose of or agree to dispose of any Ordinary Shares in which he is interested at any time before the later of (i) the date on which the Plant produces not less than 15,000 tonnes of palm ethyl ester (B100) (biodiesel per month for 3 consecutive months, and (ii) the second anniversary of Admission. Each of the Lock-In Persons other than the Directors have also undertaken to the Company and Hichens, Harrison, subject to the same exceptions, that he will effect and shall use all reasonable endeavours to procure that each person connected with him effects any sales or disposals of Ordinary Shares from the end of the lock-in period until the second anniversary of Admission through Hichens, Harrison or the Company’s broker at the relevant time.

Contracts entered into by Zurex

8.7 Land Acquisition Agreement

- 8.7.1 Under the terms of the Land Acquisition Agreement, Zurex has agreed to purchase the Site for a total purchase price of RM26,136,000 (“Purchase Price”) and Zurex has paid the sum of RM2,613,600 as a non-refundable deposit upon the signing of the Land Acquisition Agreement. The

balance of the Purchase Price shall be paid progressively based on the various completed works as certified by POIC's appointed consultant. The next payment of twenty per cent. of the Purchase Price is due on 30 November 2006. If Zurex fails to pay any part of the balance of the Purchase Price or breach any part of its obligations under the Land Acquisition Agreement, POIC has the right to terminate the Land Acquisition Agreement and forfeit the deposit paid by Zurex after due notice of not less than 14 days to remedy a default has been given by POIC to Zurex. In addition, in the event of any such termination the Company is required, inter alia, to pay POIC such sum as, after taking into account any instalments of the Purchase Price already paid, equals thirty per cent. of the Purchase Price as liquidated damages.

- 8.7.2 Zurex is liable under the Land Acquisition Agreement to pay for all outgoings including rent, rates, taxes, assessment and other charges in respect of the Site from the date of the Land Acquisition Agreement.
- 8.7.3 Zurex is obliged under the Land Acquisition Agreement to prepare and submit for approval all plans including building and/or architectural plans with specifications and drawings to the relevant authorities for the purpose of constructing the Plant at the Site and such approvals shall be obtained at Zurex's own cost and expense. Zurex is obliged to commence construction of the Plant as soon as possible after all of the plans have been approved by the relevant authorities.
- 8.7.4 Subject to such extension as POIC's consultant may allow transfer of possession of the Site shall be made by POIC on practical completion of the construction of infrastructure relating to the supply of electricity, water, sewerage mains, culverts, drains and roads serving the Site within a period of 24 months from the date of the Acquisition Agreement failing which POIC shall be liable to pay Zurex liquidated damages calculated on a daily basis at the rate of 10 per cent. per annum of the Purchase Price. Zurex is required to complete the development of the Plant within 24 months of the date possession of the Site is transferred to Zurex, subject to the grant of a reasonable extension of time if such extension is warranted by circumstances beyond the control of Zurex.
- 8.7.5 POIC also has the responsibility under the Land Acquisition Agreement to procure and deliver a separate individual title for the Site to Zurex free of all encumbrances. The transfer and registration of the title to Zurex will be made at the cost and expense of Zurex. In addition, until the construction of the plant is completed and until a separate document of title in respect of the Site has been issued by the relevant authority and transferred to Zurex, Zurex has agreed that it shall not sell, transfer, assign or otherwise sell or grant any interest in the Site.

8.8 The Offtake Agreement

- 8.8.1 Pursuant to an agreement dated 27 June 2006 ("Offtake Agreement") between Zurex and Gori & Partners Private Limited ("Buyer"), the Buyer has agreed to purchase up to 5,000 metric tonnes of biodiesel per month from Zurex. The Offtake Agreement is valid for a period of 2 years from the date the first consignment of palm oil biodiesel is shipped to the Buyer and may be extended by mutual consent of the parties to the contract.
- 8.8.2 The price for the biodiesel sold to the Buyer shall be determined at the time of shipment based on a cost plus basis or the prevailing market price less 5 per cent. whichever is the higher. Under the Offtake Agreement, the Buyer is responsible for making its own arrangements to ship the biodiesel from Lahad Datu, Sabah based on the supply schedule of Zurex once the Plant commences production.
- 8.8.3 All payments for any consignment of biodiesel purchased by the Buyer shall be by way of irrevocable letters of credit to be issued and confirmed prior to shipment. The Buyer shall also bear all insurance and freight charges for the shipment of its cargo of biodiesel.
- 8.8.4 The Offtake Agreement may also be terminated by either party giving to the other at least 2 months advance notice in writing of its intention to terminate. Until such time as the termination comes into effect, both parties shall continue to be responsible and shall discharge all its obligations under the Offtake Agreement.

8.9 Manufacturing Licence

8.9.1 A manufacturing licence dated 14 July 2006 under Licence No. A 015640 Serial No. A 0124159 (“Licence”) was issued to Zurex by the Ministry of International Trade and Industry of Malaysia (“MITI”) to manufacture palm oil biodiesel (palm methyl ester) and refined glycerine. Under the Licence, Zurex is empowered to act as a licensed manufacturer by MITI with effect from the 9 May 2006 subject to the following attached conditions:

- (i) Zurex’s manufacturing plant is to be located at POIC Industrial Site, Lahad Datu, Sabah and it is subject to the Sabah State Government approval given on 5 June 2006 and the Department of Environment;
- (ii) the sale of any shares in Zurex is to be notified to MITI;
- (iii) Zurex is to train local Malaysians so that effective transfer of technology and expertise can be achieved at all levels of employment in Zurex’s organisation; and
- (iv) Zurex is to implement the project as approved and comply with all laws and existing regulations in Malaysia.

8.9.2 In addition to the conditions stipulated in the Licence, the cover letter dated 20 July 2006 from the Malaysian Industrial Development Authority (“MIDA”) (which issues the Licence on behalf of MITI) to Zurex enclosing the original Licence further stipulates, inter alia, the following:

- (i) the project to be undertaken by Zurex must be implemented within a period of 12 months from the effective date of the Licence or such other extended period as the Licensing Official will permit;
- (ii) Zurex is encouraged to ensure that the composition of the directors in its board of directors is reflective of their shareholding in Zurex. Any appointment or change in the board of directors of Zurex must be duly notified to MITI;
- (iii) for the domestic sale of its products, Zurex is to use its best efforts to utilise the services of Malaysians including any local corporate distributors which are wholly owned by Malaysians in which at least 30 per cent. of the local distributors appointed are Bumiputras;
- (iv) within 6 months from the date of the Licence, Zurex is to provide MIDA with a progress report to implement the Project; and
- (v) any changes to planned production capacity or the product to be manufactured must be approved by the Licensing Official.

8.10 The agreement in respect of the environmental impact assessment

By an agreement dated 10 July 2006 (“EIA Agreement”), Zurex has appointed Chemsain Konsultant Sdn. Bhd. (“Consultant”) to carry out a preliminary environmental impact assessment (“EIA”) for the proposed biodiesel and glycerine plant at POIC Industrial Site Lahad Datu, Sabah for an agreed fee of RM60,000 (“Fee”). The Fee shall be paid by Zurex to the Consultant in the following manner; (i) 30 per cent. of the Fee upon appointment; (ii) 50 per cent. of the Fee upon submission of draft EIA to Zurex and (iii) 20 per cent. of the Fee upon approval of the final EIA report by DOE.

8.11 The agreement with JJ-Lurgi on Pre-Engineering Works for the plant at Lahad Datu, Sabah

8.11.1 By an agreement dated 9 August 2006 (“PE Agreement”), Zurex has appointed JJ-Lurgi Engineering Sdn. Bhd. (“JJ-Lurgi”) to undertake a scope of works for the construction of the Plant for a fee of RM180,000. The fee has been paid.

8.11.2 Under the PE Agreement JJ-Lurgi shall provide supporting data and information sufficient for Zurex to appoint consultants to provide costs estimates for the supplies and services for the Plant which are not included under the proposed supply and construction contract proposed to be

entered into between Zurex and JJ-Lurgi relating to the construction of the Plant (“Construction Contract”).

8.11.3 In addition under the PE Agreement, JJ-Lurgi shall also provide a full contract specification and a binding cost estimate relating to all goods and services to be supplied by JJ-Lurgi under the Construction Contract.

8.11.4 It is also provided under the PE Agreement that Zurex and JJ-Lurgi intend to enter into the Construction Contract subject to Zurex obtaining the necessary financing. However, the detailed terms of the Construction Contract remain to be negotiated.

8.11.5 Zurex has no further obligation or liability to JJ-Lurgi and, for the avoidance of doubt, Zurex is under no obligation to enter into the Construction Contract.

9. The Concert Party

9.1 The names of the Concert Party and their holdings of Ordinary Shares, as they are now and as they will be following the issue of the Consideration Shares are as shown in the table below.

Name	Current		On Admission			
	Number of Ordinary Shares	% of existing issued share capital	Number of Ordinary Shares	% of Enlarged Issued Share Capital	Number of Ordinary Shares	% of Diluted Issued Share Capital
Wong Kai Fatt*	—	—	—	9.03	13,334,000	8.45
Lim Kwee Gee	—	—	—	23.20	34,268,380	21.72
Yeoh Keat Hoe*	—	—	—	2.26	3,333,500	2.11
Chong Kim Chan	—	—	—	3.57	5,280,264	3.35
Loh Peng Chai	—	—	—	3.54	5,226,928	3.31
Ong Chong Yong	—	—	—	3.54	5,226,928	3.31
Total controlling shareholding	—	—	—	45.13	66,670,000	42.25

*Currently also directors of Zurex Corporation Sdn. Bhd.

Wong Kai Fatt of No. 47, Jalan Kenanga SD 9/8, Bandar Sri Damansara, 52200 Kuala Lumpur, Malaysia is a citizen of Malaysia.

Lim Kwee Gee of No. 14 Jalan Sakeh, 84000 Muar, Johor, Malaysia is a citizen of Malaysia.

Further information on the above two members of the Concert Party can be found in paragraph 9 of Part 1 of this document.

Yeoh Keat Hoe of No. 28, Jalan Kubah U8/64, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia is a citizen of Malaysia.

Chong Kim Chan of D-12-03, Prima Duta Condominium, of Jalan Segambut, 51200 Kuala Lumpur, Malaysia is a citizen of Malaysia.

Loh Peng Chai of 22 Lorong Pikrama 2, Seri Petaling, 57000 Kuala Lumpur, Malaysia is a citizen of Malaysia.

Ong Chong Yong of Apt Blk 18, Jalan Tenteram #21-132, Singapore 321018 is a citizen of Singapore.

9.2 In the 12 months preceding the date of this document, no member of the Concert Party, nor anyone acting in concert with it, has been interested in nor have they dealt in any relevant securities of the Company. No member of the Concert Party nor anyone acting in concert with it is currently interested in any relevant securities of the Company.

- 9.3 Except for the Acquisition Agreement and as described in paragraph 5 of this Part 7, there are no agreements, arrangements or understandings between any member of the Concert Party and the Company or their respective directors or shareholders, or any of them, having any connection with or dependence upon the Acquisition.
- 9.4 Save as disclosed in paragraph 4 of this Part 7, none of the Directors or Proposed Directors or any member of their immediate families or any associate of the Company was interested in any relevant securities of the Company at the date of this document nor had any such person dealt for value in such relevant securities in the 12 months preceding the date of this document, and no connected adviser (other than an exempt principal trader) to the Company (nor any person controlling, controlled by, or under the same control as such connected adviser) nor any pension associate or fund or employee benefit trust of the Company or any employee benefit trust or any pension fund of any associate of the Company, nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt fund manager) which is controlled by, or controls or is under the same control as, the Company or any connected adviser to the Company or any connected adviser of any associate of the Company, owned or has an interest in any relevant securities of the Company at the date of this document nor has any such person dealt for value in such relevant securities in the 12 months preceding the date of this document.
- 9.5 Save as disclosed in paragraph 8.1 of this Part 7 there are no arrangements in place or envisaged where any of the members of the Concert Party will transfer any of their Ordinary Shares to other persons pursuant to the completion of the Acquisition.
- 9.6 The Acquisition is not being financed by any external source of finance. There are therefore no arrangements in place nor any required for the payment of interest on repayment of security for any liability as a result of the Acquisition. However as disclosed in paragraph 5 of Part 1 the Enlarged Group will need finance to complete construction of the Plant.
- 9.7 In the 12 months preceding the date of this document, the Company has not been interested in nor has dealt in relevant securities of Zurex.
- 9.8 Neither the Company nor any of the Directors, have any interest in any securities of any of the members of the Concert Party.
- 9.9 No connected adviser of the Company or its associates or any person controlling, controlled by or under the same control as any connected adviser has any interest in the relevant securities.
- 9.10 There are no outstanding loans granted by the Company to any of the Directors or any other member of the Concert Party nor has any guarantee been provided by the Company for the benefit of any Director or any other member of the Concert Party.
- 9.11 No member of the Concert Party has an arrangement, including an indemnity or option arrangement, or any agreement or understanding, formal or informal of whatever nature, relating to the relevant securities which may be an inducement to deal or refrain from dealing.
- 9.12 No relevant securities in the Company have been borrowed or lent by any member of the Concert Party nor by anyone acting in concert with the Company.
- 9.13 References in this paragraph 9 to:
- 9.13.1 an “associate” are to
- 9.13.1.1 Zurex and the Company’s parents, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies;
- 9.13.1.2 connected advisers (as defined in the City Code) and persons controlling, controlled by or under the same control as such connected advisers;
- 9.13.1.3 the Directors and Proposed Directors (together with their close relatives and related trusts) of any company referred to in 9.13.1.1 above;
- 9.13.1.4 any investment company, unit trust or other person whose investments an associate manages on a discretionary basis in respect of the relevant investment accounts; and
- 9.13.1.5 any company having a material trading arrangement with a member of the Enlarged Group.

9.13.2 “relevant securities” means the Ordinary Shares and securities convertible into, rights to subscribe for, options (including traded options) or short positions (including under derivatives) or any agreements to sell or delivery obligations or right to require another purchaser to take delivery, in each case in respect of the Ordinary Shares and derivatives referenced to such shares; and

9.13.3 “interest” has the same meaning as “interest in securities” in the City Code.

9.14 For the purposes of this paragraph 9, ownership or control of 20 per cent, or more of the equity share capital of a company is regarded as the threshold for associated company status and “control” means holding, or aggregate holding, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings give de facto control.

10. Middle Market Quotations

The closing middle market quotations for Existing Ordinary Shares, as derived from the AIM Appendix of the London Stock Exchange Daily Official List, on the first dealing day of the admission of the Company to AIM and the months prior to the publication of this document, and on 27 October 2006, being the latest practicable date prior to publication of this document, were:

<i>Date</i>	<i>Share Price</i>
5 May 2006 (first day of dealings)	28.5p
1 June 2006 (suspended)	28p
3 July 2006 (suspended)	28p
1 August 2006 (suspended)	28p
1 September 2006 (suspended)	28p
2 October 2006 (suspended)	28p
27 October 2006 (suspended)	28p

11. Working capital

The Directors and Proposed Directors are of the opinion that, having made due and careful enquiry and having regard to the net proceeds receivable from the Placing, the working capital available to the Company and the Enlarged Group will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

12. Litigation

12.1 The Company is not, nor during the previous twelve months, has been involved in any governmental, legal or arbitration proceedings which are having or may have or have had a significant effect on the Company’s financial position or profitability, nor so far as the Company is aware, are any such proceedings pending or threatened against the Company.

12.2 Zurex is not, nor during the previous twelve months, has been involved in any governmental, legal or arbitration proceedings which are having or may have or have had a significant effect on Zurex’s financial position or profitability, nor so far as the Company or Proposed Directors are aware are any such proceedings pending or threatened against Zurex.

13. Taxation

The statements set out below are intended only as a general guide to the tax position based on the current UK tax legislation and UK Inland Revenue practice and apply only to certain categories of UK persons. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers concerning the consequences under any tax laws of the acquisitions, ownership and disposition of Ordinary Shares in the Company. Shareholders who may be subject to tax in any jurisdiction other than the United Kingdom should consult their professional advisers without delay.

The statements do not cover all aspects of UK taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Ordinary Shares in the Company by particular investors. The statements apply only to Shareholders who are the beneficial owners of the Ordinary Shares but are not applicable to all categories of Shareholders, and in

particular are not addressed to (i) Shareholders who do not hold their Ordinary shares as capital assets, (ii) Shareholders who own (directly or indirectly) 10 per cent. or more of the Company; (iii) special classes of Shareholders such as dealers in securities or currencies, broker-dealers, or investment companies; (iv) Shareholders who hold Ordinary Shares as part of straddles, hedging or conversion transactions; or (v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise).

Except where indicated, the statements below in respect of the taxation of dividends and distributions and the taxation of chargeable gains only cover the principal UK tax consequences of holding Ordinary Shares for holders who are resident in the UK for tax purposes although it should be noted that special rules, which are not covered, apply to such holders of shares who are not domiciled in the UK.

13.1 Taxation of chargeable gains

13.1.1 A disposal, or deemed disposal, of Ordinary Shares in the Company by a Shareholder who is either resident or ordinarily resident for tax purposes in the UK will, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains in the UK. Broadly, Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Ordinary Shares unless such Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such Shareholders may be subject to foreign taxation on any gain under local law.

13.1.2 A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such Shareholder's year of return to the UK.

13.2 Taxation of dividends

13.2.1 Under current UK tax legislation no UK tax will be withheld from any dividend paid by the Company.

13.2.2 An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "Gross Dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the Gross Dividend (i.e. the tax credit will be one-ninth of the amount of the dividend).

13.2.3 Generally, a UK resident individual shareholder who is not liable to income tax in respect of the Gross Dividend will not be entitled to reclaim any part of the tax credit. A UK resident shareholder who is liable to income tax at the starting or basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the Gross Dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the Gross Dividend at 32.5 per cent. but will be able to set the tax credit off against part of his liability. The effect of that set off of the tax credit is that such a shareholder will have to account for additional tax equal to 22.5 per cent. of the Gross Dividend (which is also equal to 25 per cent. of the amount of the dividend received).

13.3 Stamp duty and Stamp Duty Reserve tax

No UK stamp duty or stamp duty reserve tax will arise on the issue of the Ordinary Shares. UK stamp duty may arise on the transfer of Ordinary Shares if they are in certificated form and are transferred by written instrument. The duty would arise at the rate of 0.5 per cent. of the amount or value of the consideration. Where Ordinary Shares are transferred within CREST a liability to Stamp Duty reserve tax, generally at a rate of 0.5 per cent., will arise.

13.4 Inheritance tax

A gift of ordinary shares by, or the death of, an individual holder who is domiciled, or is deemed to be domiciled under certain rules relating to long residence or previous domicile, may (subject to certain

exemptions and reliefs) give rise to a liability to UK inheritance tax. For inheritance tax purposes a transfer of assets at less than market value may be treated as a gift and particular rules may apply where the donor reserves or retains some benefit.

13.5 The tax exemption

13.5.1 Pursuant to a letter dated 24 May 2006 from the Malaysian Industrial Development Authority, Zurex was informed that the Minister of International Trade and Industry with the consent of the Minister of Finance of Malaysia has approved Zurex's application for pioneer status incentive for industry with the East Malaysian Corridor consisting of the states of Sabah and Sarawak under the Promotion of Investments Act, 1986.

13.5.2 The pioneer status granted to Zurex is for a 100 per cent. tax exemption for statutory income and valid for a period of 5 years from the date of commercial production of palm oil biodiesel and is granted conditional upon the following:

- (i) the manufacturing plant of Zurex must be sited at Sabah;
- (ii) the product added value must achieve at least 25 per cent. The definition of added value is based on the difference between the gross sales of the product less total costs of raw materials used in the production; and
- (iii) Zurex is to apply for an official Certificate on Pioneer Status within a period of 6 months from the date of approval.

14. CREST

14.1 CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Company's Articles of Association permit the holding of the Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. Settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, should shareholders so wish.

14.2 CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

14.3 All the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

15. General

15.1 The total costs and expenses payable by the Company in connection with or incidental to the Admission including London Stock Exchange fees, printing and advertising and distribution costs, legal and accounting fees and expenses for procuring placees are estimated to amount to approximately £970,000. The gross proceeds of the Placing are £11,050,000 and the net cash proceeds of the Placing are expected to be approximately £10,080,000.

15.2 Save as disclosed in this Part 7 of this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers and counterparties of contracts being in the ordinary course of business) has:

15.2.1 received directly or indirectly from the Company within twelve months preceding the Company's application for Admission; or

15.2.2 entered into contractual arrangements for (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

15.2.2.1 fees totalling £10,000 or more; or

15.2.2.2 securities in the Company with a value of £10,000 or more; or

15.2.2.3 any other benefit with a value of £10,000 or more at the date of Admission.

15.3 Save for the Proposals and as disclosed in this document, there has been no significant change in the trading or financial position of the Company since 30 June 2006, being the date to which the historical financial information in Part 5 is made up.

- 15.4 Save for the Acquisition and as disclosed in this document, there has been no significant change in the trading or financial position of Zurex since 30 June 2006, being the date to which the historical financial information in Part 4 is made up.
- 15.5 No exceptional factors have influenced the Company's activities.
- 15.6 Save as set out in this document the Company has no intellectual property rights, know-how, licences or other intellectual property and/or know-how related contracts that are of a fundamental importance to the Company's business.
- 15.7 Other than as set out in this document, no underwriter is involved with the Placing. No paying agents are involved with the Placing.
- 15.8 The Company's accounting reference date is 31 December.
- 15.9 No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.
- 15.10 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of its reports and references thereto in the form and context in which they are included and accepts responsibility for its reports for the purposes of the AIM Rules.
- 15.11 Ruegg & Co has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 15.12 Hichens, Harrison has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 15.13 The ISIN Code is GB00B12B4T47.
- 15.14 Other than the proposed Acquisition the Company does not have any investments and has not had any during the period covered by the historical financial information in Part 5 up to the date of this document. The Company does not have any material registered intellectual property.
- 15.15 The Company's auditors are Grant Thornton UK LLP, whose registered office is Grant Thornton House, Melton Street, London NW1 2EP. Grant Thornton are Chartered Accountants and Registered Auditors.

16. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of DLA Piper, at 3 Noble Street, London EC2V 7EE for a period of 14 days from the date of this document:

- 16.1 the constitutional documents of the Company;
- 16.2 the historical financial information of Zurex Corporation Sdn. Bnd.;
- 16.3 the Accountants's Report on the historical information of Zurex Corporation Sdn. Bnd. set out in Part 4 of this document;
- 16.4 the historical financial information of Biofutures International plc;
- 16.5 the Accountant's Report on the historical financial information of Biofutures International plc set out in Part 5 of this document;
- 16.6 the letters of consent referred to in paragraphs 15.10, 15.11 and 15.12 above;
- 16.7 this document;
- 16.8 the service contracts of the Directors and Proposed Directors;
- 16.9 the material contracts referred to in paragraph 8 above;

16.10 the Directors' irrevocable undertakings to vote in favour of the Resolutions; and

16.11 the terms of the LTIP.

17. Availability of Document

Copies of this document will be available to the public free of charge from the date of this document until the date which is one month after Admission, from the offices of DLA Piper, at 3 Noble Street, London EC2V 7EE during normal business hours (Saturdays and Sundays excepted).

Dated: 30 October 2006

NOTICE OF EXTRAORDINARY GENERAL MEETING

Biofutures International plc

(Registered in England and Wales with registered number 5712979)

Notice is hereby given that an Extraordinary General Meeting of Biofutures International plc (the “**Company**”) will be held at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE at 11 a.m. on 23 November 2006 for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. THAT the authorised share capital of the Company be and is hereby increased from £1,000,000 to £2,500,000 by the creation of 150,000,000 new ordinary shares of 1p each in the capital of the Company each ranking pari passu in all respects with the existing ordinary shares of 1p each in the capital of the Company.
2. THAT, subject to the passing of resolution 3 below, the proposed acquisition (the “**Acquisition**”) by the Company of the entire issued share capital of Zurex Corporation Sdn. Bhd., on the terms and subject to the conditions of the agreement (the “**Acquisition Agreement**”) described in the admission document sent to shareholders of the Company dated 30 October 2006 (the “**Admission Document**”) be and is hereby approved for the purposes of Rule 14 of the AIM Rules and that the board of directors of the Company (or a duly constituted committee of that board) be and is hereby authorised to waive, amend, vary or extend any of the terms and conditions of the Acquisition or the Acquisition Agreement (but not to any material extent) and do all such things as it may consider necessary or desirable in connection with the Acquisition.
3. THAT the waiver by the Panel on Takeovers and Mergers of any requirement for any member of the Concert Party (as defined in the Admission Document) to make a general offer under Rule 9 of the City Code on Takeovers and Mergers which would otherwise arise by reason of the issue of the 66,670,000 ordinary shares of 1 pence each (“**Ordinary Shares**”) to the Concert Party pursuant to the Acquisition Agreement (“**Consideration Shares**”), as a result of which the Concert Party would be interested in Ordinary Shares carrying 45.13 per cent. of the voting rights of the Company, be and is hereby approved.
4. THAT the directors be and hereby are generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) in accordance with section 80 of the Companies Act 1985 (the “**Act**”) to exercise all of the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) PROVIDED THAT this power shall be limited to:
 - (a) the allotment of the Consideration Shares; and
 - (b) the allotment of 44,200,000 Ordinary Shares to places pursuant to the placing described in the Admission Document; and
 - (c) the allotment of 4,437,975 Ordinary Shares pursuant to the exercise of the warrants granted by the Company to Hichens, Harrison & Co plc and Ruegg & Co Limited on 27 April 2006 and 27 October 2006 respectively, and
 - (d) the allotment of 3,000,000 Ordinary Shares pursuant to an option granted by the Company to Wayne Rudd on 27 October 2006; and
 - (e) the allotment of relevant securities up to an aggregate nominal amount of £492,433 (representing approximately one third of the ordinary issued share capital of the Company immediately following the Acquisition) such authority to expire on the fifth anniversary of the date of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry in pursuance of such offer or agreement as if the authority conferred hereby had not expired and notwithstanding such expiry, the directors may allot relevant securities in pursuance of any such offer or agreement.
5. THAT the Long Term Incentive Plan, the principal terms of which have been summarised in the Admission Document, be approved and is hereby adopted by the Company.

SPECIAL RESOLUTIONS

6. THAT, subject to the passing of Resolution 4 and in substitution of all previous authorities to the extent unused, the directors be and hereby are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the general authority conferred under Resolution 4 above as if sub-section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- (a) the allotment of the Consideration Shares;
 - (b) the allotment of 44,200,000 Ordinary Shares to placees pursuant to the placing described in the Admission Document;
 - (c) the allotment of 4,437,975 Ordinary Shares pursuant to the exercise of the warrants granted by the Company to Hichens, Harrison & Co plc and Ruegg & Co Limited on 27 April 2006 and 27 October 2006 respectively;
 - (d) the allotment of 3,000,000 Ordinary Shares pursuant to the option granted by the Company to Wayne Rudd on 27 October 2006;
 - (e) the allotment of equity securities in connection with an offer or issue to holders of Ordinary Shares where the equity securities respectively attributable to the interest of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them but including, in connection with such an issue, the making of such arrangements as the Directors may deem necessary or expedient to deal with fractional entitlement or problems under the laws of any territory of the requirements of any regulatory body or stock exchange;
 - (f) the allotment (other than pursuant to paragraphs (a) to (d) above) of equity securities up to an aggregate nominal value of £73,865, such power to expire on the fifth anniversary of the date of the resolution, save that the Company may make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred by this resolution has not expired.

By Order of the Board

Nicholas Gee
Executive Chairman

30 October 2006

Registered Office
8-12 Priestgate
Peterborough
PE1 1JA

Notes:

1. A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. Completion and return of a proxy form will not preclude a member from attending and voting at the meeting in person or at any adjournment thereof.
2. A proxy form is enclosed which shareholders in the Company are invited to complete, sign and return.
3. The instrument appointing a proxy, together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified of such power or authority, must be completed, signed and returned, by hand or by post, so as to reach Share Registrars Limited, Craven House, West Street, Farnham Surrey GU9 7EN no later than 11 a.m. on 21 November 2006.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered on the register of members as at 48 hours prior to the time fixed for the meeting (or, in the case of an adjournment, as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and/or vote at the meeting in respect of shares registered in their names at that time. Changes to entries in the register of members after such time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
5. In order to comply with the City Code on Takeovers and Mergers, Resolution 3 will be taken on a poll.