



Biofutures International plc

Half-Yearly Report

Six months ended 30 June 2010



## CHAIRMAN'S STATEMENT

I am pleased to present our unaudited interim results for the six months ended 30 June 2010.

The loss for the six month period ended 30 June 2010 was £445,000, compared to £298,000 for the same period in 2009. This is principally due to a £167,000 charge for share based payments, arising from share options granted on 5 February 2010 to the Directors and key management, (2009 - £5,000) and a reduction in investment income in the period to £25,000 (2009 - £68,000) as a consequence of the significantly lower rates received on deposits and the reduction in cash deposits.

Cash as at 30 June 2010 was £5,183,000 compared to £5,441,000 at 30 June 2009. During the half-year, the Group drew down £1,725,000 of new term loans under a facility with Bank Kerjasama Rakyat Malaysia Bhd (2009 - £nil). The major expenditure in the period was in respect of purchases of tangible assets, principally relating to construction of the refinery plant, totalling £1,813,000 (2009 - £2,033,000).

In December 2009, we announced that our wholly owned subsidiary Zurex Corporation Sdn. Bhd. ("Zurex") had entered into a contract with WS Bioengineering Pte. Ltd. ("WS Bio") for the supply of equipment for a complete physical plant refining system ("Refining System") capable of refining crude palm oil into refined bleached and deodorized palm oil ("RBD") for its 200,000 metric tonne per annum palm oil refinery plant ("Refinery") currently being constructed by WS Bio on the 14 acre site owned by Zurex at POIC Lahad Datu in Sabah, Malaysia.

The construction of the Refinery and the installation of the equipment for the Refining System are now in the final stages of completion. The Board has been given a detailed project brief from WS Bio and its consultants on the progress of the construction of the Refinery. At the briefing, WS Bio informed the Board that it will require more time to complete the Refinery and installation of the Refining System equipment in view of interruption to the work schedule due to festive season holidays and inclement weather. The delay has had a knock on effect on the entire project, as certain parts of the remaining construction works and installation have to be coordinated. Notwithstanding the delay, the Board is confident that the commissioning of the Refinery will take place during the fourth quarter of this year.

In preparation for the commencement of production of RBD, the Company has also initiated steps to secure the supply of feedstock for its Refinery and is also looking into the sale of RBD to both local and foreign off-takers. The Company expects to enter into commercial arrangements with the feedstock suppliers and off-takers in due course.

In August 2010, the hearings were concluded in connection with Zurex's arbitration proceedings against JJ-Lurgi Engineering Sdn Bhd ("JJ-Lurgi") in relation to its dispute with JJ-Lurgi regarding a contract dated 26 January 2007 ("Contract") for the supply of components for the construction of a 200,000 tonnes per annum palm oil biodiesel plant at Lahad Datu, Sabah, Malaysia, which was put on hold in September 2007. The decision of the Arbitrator is not expected until the second half of 2011. Pending final resolution of the matter, no further write down of the costs incurred under the Contract has been made and no potential asset recovery has been recognized.



## **Outlook**

Despite the construction delays, the Company is reaching the penultimate stage in our aim to complete the Refinery and commence operations. We believe that our prospects for growth and to generate good returns for shareholders remain strong.

David Yeoh  
Executive Chairman  
29 September 2010



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	Notes	Six months ended 30 June 2010  (unaudited) £'000s	Six months ended 30 June 2009  (unaudited) £'000s	Year ended 31 December 2009  (audited) £'000s
<b>Continuing operations</b>				
<b>Gross profit</b>		-	-	-
Interest income		25	68	76
Administrative expenses		(470)	(366)	(729)
<b>Loss before tax</b>		<b>(445)</b>	<b>(298)</b>	<b>(653)</b>
Income tax expense	3	-	-	-
<b>Loss for the period attributable to equity interests</b>		<b>(445)</b>	<b>(298)</b>	<b>(653)</b>
<b>Other comprehensive income</b>				
Net exchange differences on translating foreign operations	4	4,178	(3,756)	(2,261)
<b>Other comprehensive income/(loss) net of tax</b>		<b>4,178</b>	<b>(3,756)</b>	<b>(2,261)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>3,733</b>	<b>(4,054)</b>	<b>(2,914)</b>
<b>Loss per share</b>				
- Basic and diluted	5	(0.29)p	(0.20)p	(0.43)p



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2010 (unaudited)	As at 30 June 2009 (unaudited)	As at 31 Dec 2009 (audited)
	£'000s	£'000s	£'000s
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	7,299	4,300	5,486
Goodwill	7,681	6,503	6,722
Intangible assets	22,451	18,468	19,647
	<b>37,431</b>	<b>29,271</b>	<b>31,855</b>
<i>Current assets</i>			
Trade and other receivables	70	37	57
Cash and cash equivalents	5,183	5,441	4,755
	<b>5,253</b>	<b>5,478</b>	<b>4,812</b>
<b>Total assets</b>	<b>42,684</b>	<b>34,749</b>	<b>36,667</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	608	584	956
<i>Non-current liabilities</i>			
Term Loan	2,082	-	318
Deferred Tax	5,613	4,802	4,912
<b>Total liabilities</b>	<b>8,303</b>	<b>5,386</b>	<b>6,186</b>
<b>Net assets</b>	<b>34,381</b>	<b>29,363</b>	<b>30,481</b>
<i>Equity</i>			
Share capital	1,510	1,510	1,510
Share premium account	11,293	11,293	11,293
Merger reserve	16,001	16,001	16,001
Translation reserve	9,057	3,384	4,879
Share based scheme reserve	1,209	1,064	1,042
Retained earnings	(4,689)	(3,889)	(4,244)
<b>Total equity</b>	<b>34,381</b>	<b>29,363</b>	<b>30,481</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium account £000	Merger reserve £000	Translation reserve £000	Share based scheme reserve £000	Retained earnings £000	Total equity £000
<b>At 1 January 2010</b>	<b>1,510</b>	<b>11,293</b>	<b>16,001</b>	<b>4,879</b>	<b>1,042</b>	<b>(4,244)</b>	<b>30,481</b>
Loss for the period	-	-	-	-	-	(445)	(445)
Share based payments	-	-	-	-	167	-	167
Translation reserve	-	-	-	4,178	-	-	4,178
<b>At 30 June 2010</b>	<b>1,510</b>	<b>11,293</b>	<b>16,001</b>	<b>9,057</b>	<b>1,209</b>	<b>(4,689)</b>	<b>34,381</b>
<b>At 1 January 2009</b>	<b>1,510</b>	<b>11,293</b>	<b>16,001</b>	<b>7,140</b>	<b>1,059</b>	<b>(3,591)</b>	<b>33,412</b>
Loss for the period	-	-	-	-	-	(298)	(298)
Share based payments	-	-	-	-	5	-	5
Translation reserve	-	-	-	(3,756)	-	-	(3,756)
<b>At 30 June 2009</b>	<b>1,510</b>	<b>11,293</b>	<b>16,001</b>	<b>3,384</b>	<b>1,064</b>	<b>(3,889)</b>	<b>29,363</b>
<b>At 1 January 2009</b>	<b>1,510</b>	<b>11,293</b>	<b>16,001</b>	<b>7,140</b>	<b>1,059</b>	<b>(3,591)</b>	<b>33,412</b>
Loss for the year	-	-	-	-	-	(653)	(653)
Lapse of options	-	-	-	-	(17)	-	(17)
Translation reserve	-	-	-	2,261	-	-	(2,261)
<b>At 31 December 2009</b>	<b>1,510</b>	<b>11,293</b>	<b>16,001</b>	<b>4,879</b>	<b>1,042</b>	<b>(4,244)</b>	<b>30,481</b>



## CASH FLOW STATEMENT

	Notes	Six months ended 30 June 2010 (unaudited) £000s	Six months ended 30 June 2009 (unaudited) £000s	Year ended 31 December 2009 (audited) £000s
<b>Cash flow from operating activities</b>				
Cash used in operations	6	(708)	(309)	(362)
<b>Net cash used for operating activities</b>		<b>(708)</b>	<b>(309)</b>	<b>(362)</b>
<b>Cash flow from investing activities</b>				
Purchases of property, plant and equipment		(1,018)	(2,033)	(3,081)
Interest received		25	68	76
<b>Net cash used in investing activities</b>		<b>(993)</b>	<b>(1,965)</b>	<b>(3,005)</b>
<b>Cash flows from financing activities</b>				
New loans in period		1,725	-	318
<b>Net cash generated from financing activities</b>		<b>1,725</b>	<b>-</b>	<b>318</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>24</b>	<b>(2,274)</b>	<b>(3,049)</b>
Cash at beginning of period		4,755	7,812	7,812
Effects of exchange rate changes		404	(97)	(8)
<b>Cash and cash equivalents as at end of period</b>		<b>5,183</b>	<b>5,441</b>	<b>4,755</b>



## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010**

### **1 Basis of preparation**

These unaudited interim condensed consolidated financial statements (the “interim financial statements”) are for the six months ended 30 June 2010. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

These interim financial statements have been prepared in accordance with the accounting policies as set out on pages 17 to 20 in the Group’s annual financial statements for the year ended 31 December 2009.

The financial information contained in these interim financial statements comprises the Group balance sheets as at 30 June 2010, 30 June 2009 and 31 December 2009 and the Group statement of income, the Group statement of cashflows and the Group statement of changes in equity for the half-years ended 30 June 2010 and 30 June 2009 and the year ended 31 December 2009.

The financial information set out on pages 3 to 6 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative numbers for the year ended 31 December 2009 have been extracted from the audited accounts which have been filed at Companies House and which carried an unqualified audit report with no statement under section 498 (2), (3) or (4) of the Companies Act 2006.

The interim financial statements have been drawn up on the basis that the value of certain plant will have a continuing value to the Group. The Group initiated arbitration proceedings in June 2009 whereby the Group is claiming a refund of certain monies. The outcome of this case may necessitate a substantial write down of certain plant in the Statement of Financial Position or the recognition of a cash sum. In view of the uncertainty, no write down and no potential asset have been recognised. See note 8 for further details.



## 2 Segmental Information

Primary reporting format - business segment:

	Six months ended 30 June 2010 (unaudited) £'000s	Six months ended 30 June 2009 (unaudited) £'000s	Year ended 31 December 2009 (audited) £'000s
<b>Operating loss</b>			
Operational	(149)	(176)	(395)
Head Office	(321)	(190)	(334)
<b>Operating loss</b>	<b>(470)</b>	<b>(366)</b>	<b>(729)</b>
<b>Loss before income tax</b>			
Operational	(125)	(174)	(392)
Head Office	(320)	(124)	(261)
<b>Loss for period</b>	<b>(445)</b>	<b>(298)</b>	<b>(653)</b>
<b>Loss for period</b>			
Operational	(125)	(174)	(392)
Head Office	(320)	(124)	(261)
<b>Loss for period</b>	<b>(445)</b>	<b>(298)</b>	<b>(653)</b>

## 3 Income tax expenses

There is no tax charge due to the losses arising in the period.

## 4 Net exchange differences on translating foreign operations

Income and expenditure for overseas subsidiaries are included based upon monthly average exchange rates to give a fair approximation to the transaction rate. Balance sheet items are included at the exchange rate at the balance sheet date. All other differences are included within the translation reserve, including related goodwill and intangible assets, which are translated at the rate ruling at the balance sheet date (30 June 2010 £1 = RM 4.90, at 30 June 2009 £1 = RM 5.85 and at 31 December 2009 £1 = RM 5.50).

## 5 Loss per share

	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)	Year ended 31 December 2009 (audited)
Loss attributable to equity shareholders of the Company	£(445,000)	£(298,000)	£(653,000)
Weighted average number of ordinary shares in issue	151,060,000	151,060,000	151,060,000
<b>Basic loss per share in pence</b>	<b>(0.29)p</b>	<b>(0.20)p</b>	<b>(0.43)p</b>

The impact of options and warrants on the loss per share is anti-dilutive and therefore no diluted earnings per share figure have been included.



## 6 Cash used in operations

	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)	Year ended 31 December 2009 (audited)
	£'000s	£'000s	£'000s
<b>Operating loss</b>	<b>(470)</b>	<b>(366)</b>	<b>(729)</b>
Adjustments for:			
Depreciation	7	4	12
Share based payments	167	5	(17)
Changes in working capital			
Trade and other receivables	(13)	74	44
Trade and other payables	(399)	(26)	328
<b>Cash outflow from operations</b>	<b>(708)</b>	<b>(309)</b>	<b>(362)</b>

## 7 Dividend

The directors do not recommend the payment of a dividend.

## 8 Carrying value of certain plant

In 2007, the Company's wholly-owned subsidiary, Zurex Corporation Sdn Bhd, entered into a contract with JJ Lurgi Engineering Sdn Bhd for a biodiesel plant. The original contract value was RM 38.4 million, of which RM 11.5 million has been paid (£8.0 million and £2.3 million respectively at an exchange rate of £1 = RM 4.90).

Following the decision to re-engineer the works carried out, in order to allow the plant to be used as a refinery, the Group has taken the view, supported by legal advice, that the contract terms have been changed by mutual agreement and that the balance of the contract cost will not now be payable.

The Group has referred this matter to Regional Centre for Arbitration, Kuala Lumpur in accordance with the terms of the contract and the Arbitrator will be delivering his decision in June of 2011.

No provision has been made for the balance of the contract costs and no contingent asset recognised relating to any potential refund in respect of the contract costs paid. The outcome of these arbitration proceedings could potentially impact on the carrying value of assets in the course of construction.

## 9 Availability of half-yearly report

The Company's half-yearly report will be available in soft copy from the investors section of the Company's website ([www.biofuturesplc.com](http://www.biofuturesplc.com)).