



Biofutures

Biofutures International plc

Half Year Report

Six months to 30 June 2009



CHAIRMAN'S STATEMENT

I am pleased to present our unaudited interim results for the six months ended 30 June 2009.

The loss for the 6 month period ended 30 June 2009 was £298,000 compared to £145,000 for the same period in 2008. This is principally due to the reduction in investment income in the period to £68,000 (2008 - £211,000) as a consequence of the significantly lower rates received on deposits and the reduction in cash deposits as monies have been spent on tangible assets.

Cash as at 30 June 2009 was £5,441,000 compared to £8,095,000 at 30 June 2008 with the major expenditure in the period being in respect of tangible assets totalling £2,033,000 (2008 - £5,000). The main element of spend related to the construction of the refinery plant.

In February 2009, we announced that we had entered into a contract with WS Bioengineering Pte Ltd ("WS Bio") for the construction and building works of our palm oil refinery on our land in Lahad Datu, Sabah, Malaysia. Piling works commenced in July 2009 and are ongoing. The order for the processing plant equipment to refine crude palm oil into refined bleached and deodorized palm oil will be placed soon. The refinery is targeted for completion by 30 June 2010.

The Company announced in June 2009 that its wholly-owned subsidiary, Zurex Corporation Sdn Bhd ("Zurex"), had issued a Notice of Arbitration to JJ-Lurgi Engineering Sdn Bhd ("JJ-Lurgi"). This relates to the dispute between Zurex and JJ-Lurgi in connection with the contract between them 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. Zurex is requesting repayment of certain monies paid under the Contract and JJ Lurgi are demanding completion of the Contract. The matter has been referred to the Regional Centre for Arbitration, Kuala Lumpur in accordance with the terms of the Contract. Pending final resolution of the matter, no further writedown of the costs incurred under the Contract has been made and no potential asset recovery has been recognised.

The Company is at an advanced stage of negotiations with a bank in Malaysia for a facility to provide further finance towards construction of the refinery, finance the purchase of refinery equipment and for working capital requirements.



Outlook

We believe that our prospects for growth are strong. The Company is now fully engaged in the building of a palm oil refinery project which is currently on time and within budget. It should be operational in the second half of 2010 and, barring any unforeseen circumstances, is expected to produce good returns for shareholders.

David Yeoh
Executive Chairman
29 September 2009



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS TO 30 JUNE 2009**

| | Notes | Six months to 30 June 2009 (unaudited) £'000s | Six months to 30 June 2008 (unaudited) £'000s | Year ended 31 December 2008 (audited) £'000s |
|---|-------|--|---|---|
| Continuing operations | | | | |
| Gross profit | | - | - | - |
| Interest income | | 68 | 211 | 428 |
| Administrative expenses | | (366) | (356) | (713) |
| Loss before tax | | (298) | (145) | (285) |
| Income tax expense | 3 | - | - | - |
| Loss for the period attributable to equity interests | | (298) | (145) | (285) |
| Other comprehensive income | | | | |
| Net exchange differences on translating foreign operations | 4 | (3,756) | 321 | 6,186 |
| Other comprehensive (loss)/income net of tax | | (3,756) | 321 | 6,186 |
| Total comprehensive (loss)/income for the period | | (4,054) | 176 | 5,901 |
| Loss per share | | | | |
| - Basic and diluted | 5 | (0.20)p | (0.10)p | (0.19)p |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 30 June 2009 (unaudited) | As at 30 June 2008 <i>Restated</i> (unaudited) | As at 31 Dec 2008 (audited) |
|--------------------------------|--------------------------------------|---|-----------------------------------|
| | £'000s | £'000s | £'000s |
| Assets | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 4,300 | 1,971 | 2,649 |
| Goodwill | 6,503 | 5,850 | 7,584 |
| Intangible assets | 18,468 | 16,613 | 21,539 |
| | <u>29,271</u> | <u>24,434</u> | <u>31,772</u> |
| <i>Current assets</i> | | | |
| Trade and other receivables | 37 | 43 | 101 |
| Cash and cash equivalents | 5,441 | 8,095 | 7,812 |
| | <u>5,478</u> | <u>8,138</u> | <u>7,913</u> |
| Total assets | <u>34,749</u> | <u>32,572</u> | <u>39,685</u> |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Trade and other payables | 584 | 589 | 673 |
| <i>Non current liabilities</i> | | | |
| Deferred Tax | 4,802 | 4,319 | 5,600 |
| Total liabilities | <u>5,386</u> | <u>4,908</u> | <u>6,273</u> |
| Net assets | <u>29,363</u> | <u>27,664</u> | <u>33,412</u> |
| <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 | 3,384 | 1,274 | 7,140 |
| Share based scheme reserve | 1,064 | 1,037 | 1,059 |
| Retained earnings | (3,889) | (3,451) | (3,591) |
| Total equity | <u>29,363</u> | <u>27,664</u> | <u>33,412</u> |



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 |
|---|-----------------------|----------------------------------|---------------------------|--------------------------------|---|------------------------------|-------------------------|
| At 1 January 2009 | 1,510 | 11,293 | 16,001 | 7,140 | 1,059 | (3,591) | 33,412 |
| Loss for the year | - | - | - | - | - | (298) | (298) |
| Share based payments | - | - | - | - | 5 | - | 5 |
| Translation reserve | - | - | - | (3,756) | - | - | (3,756) |
| At 30 June 2009 | 1,510 | 11,293 | 16,001 | 3,384 | 1,064 | (3,889) | 29,363 |
| At 1 January 2008 (restated) | 1,510 | 11,293 | 16,001 | 954 | 1,033 | (3,306) | 27,485 |
| Loss for the year | - | - | - | - | - | (145) | (145) |
| Share based payments | - | - | - | - | 4 | - | 4 |
| Translation reserve (restated) | - | - | - | 320 | - | - | 320 |
| At 30 June 2008 (restated) | 1,510 | 11,293 | 16,001 | 1,274 | 1,037 | (3,451) | 27,664 |
| At 1 January 2008 (restated) | 1,510 | 11,293 | 16,001 | 954 | 1,033 | (3,306) | 27,485 |
| Loss for the year | - | - | - | - | - | (285) | (285) |
| Issue of options and warrants | - | - | - | - | 26 | - | 26 |
| Translation reserve | - | - | - | 6,186 | - | - | 6,186 |
| At 31 December 2008 | 1,510 | 11,293 | 16,001 | 7,140 | 1,059 | (3,591) | 33,412 |



CASH FLOW STATEMENT

| | Notes | Six months to 30 June 2009 (unaudited) £000s | Six months to 30 June 2008 (unaudited) £000s | Year ended 31 December 2008 (audited) £000s |
|--|-------|---|--|--|
| Cash flow from operating activities | | | | |
| Cash used in operations | 6 | (309) | (435) | (834) |
| Net cash used for operating activities | | (309) | (435) | (834) |
| Cash flow from investing activities | | | | |
| Purchases of property, plant and equipment | | (2,033) | (5) | (125) |
| Interest received | | 68 | 211 | 428 |
| Net cash used in investing activities | | (1,965) | 206 | 303 |
| Net decrease in cash and cash equivalents | | (2,274) | (229) | (531) |
| Cash at beginning of period | | 7,812 | 8,329 | 8,329 |
| Effects of exchange rate changes | | (97) | (5) | 14 |
| Cash and cash equivalents as at end of period | | 5,441 | 8,095 | 7,812 |



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30 JUNE 2009

1 Basis of preparation

These interim condensed consolidated financial statements (the "interim financial statements") are for the six months ended 30 June 2009. 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 2008.

These interim financial statements have been prepared in accordance with the accounting policies as set out on pages 16 to 18 in the Group's annual financial statements for the year ended 31 December 2008.

The financial information contained in these interim financial statements comprises the Group balance sheets as at 30 June 2009, 30 June 2008 and 31 December 2008, 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 2009 and 30 June 2008 and the year ended 31 December 2008.

The 31 December 2008 accounts were prepared under the Companies Act 1985, whereas the 31 December 2009 accounts will be under the Companies Act 2006, the relevant sections of which have been enacted in the intervening period. The financial information set out on pages 2 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 2008 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 237(2) or (3) of the Companies Act 1985.

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 writedown of certain plant in the Statement of Financial Position or the recognition of a cash sum. In view of the uncertainty, no writedown and no potential asset have been recognised. See note 8 for further details.



2 Segmental Information

Primary reporting format - business segment:

| | Six months to 30 June 2009 (unaudited) £'000s | Six months to 30 June 2008 (unaudited) £'000s | Year ended 31 December 2008 (audited) £'000s |
|-------------------------------|--|---|---|
| Operating loss | | | |
| Operational | (176) | (121) | (193) |
| Head Office | (190) | (235) | (520) |
| Operating loss | (366) | (356) | (713) |
| Loss before income tax | | | |
| Operational | (174) | (121) | (191) |
| Head Office | (124) | (24) | (94) |
| Loss for period | (298) | (145) | (285) |
| Loss for period | | | |
| Operational | (174) | (121) | (191) |
| Head Office | (124) | (24) | (94) |
| Loss for period | (298) | (145) | (285) |

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 2009 £1 = RM 5.85, at 30 June 2008 £1 = RM 6.50 and at 31 December 2008 £1 = RM 5.02).

5 Loss per share

| | Six months to June 30 2009 (unaudited) | Six months to June 30 2008 (unaudited) | Year ended 31 December 2008 (audited) |
|---|--|---|---|
| Loss attributable to equity shareholders of the Company | £(298,000) | £(145,000) | £(285,000) |
| Weighted average number of ordinary shares in issue | 151,060,000 | 151,060,000 | 151,060,000 |
| Basic loss per share in pence | (0.20)p | (0.10)p | (0.19)p |

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



6 Cash used in operations

| | Six months to June 30 2009 (unaudited) | Six months to June 30 2008 (unaudited) | Year ended 31 December 2008 (audited) |
|---------------------------------------|--|---|--|
| | £'000s | £'000s | £'000s |
| Operating loss | (366) | (356) | (713) |
| Adjustments for: | | | |
| Depreciation | 4 | 4 | 11 |
| Share based payments | 5 | 4 | 26 |
| Changes in working capital | | | |
| Trade and other receivables | 74 | 25 | (33) |
| Trade and other payables | (26) | (112) | (125) |
| Cash (outflow) from operations | (309) | (435) | (834) |

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 (£6.6 million and £2.0 million respectively at an exchange rate of £1 = RM 5.85).

Following the decision to re-engineer the works done, in order to allow it 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.

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 year report

The Company's half year report will be available in soft copy from the investors section of the Company's website (www.biofuturesplc.com).