Kiotech International plc

Annual Report and Accounts 2009

Kiotech supplies high-performance natural feed additives to enhance health, growth and sustainability in agriculture and aquaculture.

Financial Highlights

- Headline profit before tax of £1,409,105 (2008: £482,211) includes £675,417 exceptional gain from the Ultrabite® disposal.
- Underlying profit before tax and share-based payments rose to £763,659 (2008: £553,836).
- Sales advanced to £10,955,355 (2008: £5,428,169).
- Cash balance increased to £5,014,819 (2008: £1,867,592) at year end.
- 25 per cent increase in the proposed final dividend to 0.05 pence per share (2008: 0.04 pence).

Operational Highlights

- Profit improvement achieved through 31 per cent growth in sales at Agil.
- Acquisition and integration of Optivite progressing to plan.
- First sales of our Salkil gut acidifier achieved in Brazil.
- Registration received in China for pHorce and first sales achieved.
- Aquatice® given approval to market for fin fish species in Thailand.

Company information

Directors
Richard S Rose
Richard P Edwards
Peter A Lawrence
Richard H Scragg
Karen L Prior
David M A Bullen

Secretary
Karen L Prior

Company number
Registered in England number 03345857

Registered office and Head Office
Unit 5, Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS
Telephone: 01909 537380

Registered Auditors
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Bankers
Barclays, 1 Chapel Quarter, Maid Marion Way, Nottingham, NG1 6HQ

Nominated Adviser and Broker
FinnCap, 4 Coleman Street, London, EC2R 5TA

Registrars
Share Registrars Limited,
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Chairman's statement

I am pleased to report that this has been another very good year for the Group, characterised by sound financial results from Agil and the acquisition of Optivite Group, which consolidates our position as a leader in animal nutrition and feed additives. The integration of Optivite is progressing well with a particularly encouraging performance from its international division.

The disposal of our sports fishing interests has enabled management to concentrate on the commercialisation of our patented Aquatice® fish feeding attractant. The balance sheet remains strong with good cash generation; management's focus is to secure the financial and strategic benefits from the recent corporate actions and deliver profit growth and financial returns for shareholders.

Corporate activity

There were two key events during the year, the purchase of Optivite Group and the disposal of our Ultrabite® sports fishing interests.

On 30 September 2009 shareholders approved the purchase of Optivite Group for a purchase price of £3,423,000. Optivite is one of the largest animal nutrition and feed additive businesses in the UK and specialises in the design, development and manufacture of non-hazardous, drug-free animal products for the maintenance and enhancement of feed quality. The price was calculated on a debt and excess cash free basis and the consideration was satisfied by the issue of consideration shares to the value of £342,300 with the balance payable in cash. At the same time the Company raised £4,752,307 before expenses, through the placing of 158,410,233 new ordinary shares at three pence each. In the year to 28 February 2009 Optivite Group had sales of £17,520,000 and profit before tax of £654,000.

On 16 December 2009 Kiotech announced the sale of its Ultrabite® sports fishing pheromone attractant brand and the associated rights under its license agreement with Cefas (Centre for the Environment, Fisheries and Aquaculture Science). Kiotech is retaining its licensing rights for the technology to the global aquaculture and commercial fishing markets under the Aquatice® brand. The gross cash consideration was €900,000 (£803,571 at £1 = €1.12). Ultrabite® represented a small part of the Company's sales and the Board of Kiotech considers this disposal to be in the best interests of shareholders.

Results

In the year to 31 December 2009 headline profit before tax was £1,409,105 (2008: £482,211), including the exceptional gain of £675,417 on the Ultrabite® sale. Sales more than doubled to £10,955,355 (2008: £5,428,169) while pre tax profit, before share-based payments and the Ultrabite® disposal, advanced significantly to £763,659 (2008: £553,836). This result was driven by an excellent performance from Agil and a maiden three months contribution from Optivite. The balance sheet remains very sound and the year ended with a cash balance of over £5 million (2008: £1.87 million) underlining the cash generative quality of the business, the sale of the sports fishing business and the share placing. These funds will be available for investing in the expansion of the business through trading and appropriate acquisitions.

The Board is delighted to declare a final dividend of 0.05 pence per share for the year to 31 December 2009, an increase of 25 per cent over the previous year's maiden final dividend of 0.04 pence. Shareholder approval will be sought at the Annual General Meeting on 30 June 2010 to pay the final dividend on 30 July 2010 to shareholders on the register on 2 July 2010.

Operations — Agriculture

This was another very good year for the division with Agil delivering a sales increase of over thirty per cent. Performances in Bangladesh, Chile, Greece, Iran, Saudi Arabia and Turkey were particularly encouraging; we have worked closely with our distributors to win business from some of the leading poultry integrators in these countries. Salmonella issues in Finland increased demand for our Salkil product and Vietnam, a new territory for Agil, performed well.

Management continues to review, and where necessary amend, its distribution arrangements to ensure that the global marketing of its products is being handled in the most efficient and cost effective manner by distributors with a strong presence in their markets. In Thailand our distributor commenced sales of our anti-oxidant products used in animal feed applications and has now started to register a number of organic acid products for sale in the Thai agricultural market. We have recently registered a number of products in Brazil and South Africa, including Salkil, the Company's key acidifier for the poultry market. Securing registration in Brazil has been a lengthy process and we are delighted that our organic acid products are now being sold into one of the world's largest poultry and pig meat markets. This is an important step and we look forward to receiving further regulatory approvals in due course.

The Group's wholly owned subsidiary in China is now fully established and we have recently received product registration for our gut acidifier pHorce; further approvals are expected. We have already begun to capitalise on Optivite's presence in China with Genex®, a performance enhancing acid and essential oil combination, which is registered in China as a feed additive. We have transferred the product to the Kiotech team, who, with the technical support of Optivite, have recently held a series of customer seminars to promote the product. China is the world's largest producer and consumer of pig and poultry meat and is rapidly adopting sophisticated production techniques with a requirement for our range of specialist technical feed additive products.

Product development is central to driving organic growth and our recently launched gut acidifier, pHorce, continues to grow as new customers, particularly in the grower pig market, experience the health and financial benefits from using the product. We are also in the final stages of developing and launching a number of other products drawing on the nutritional expertise of Optivite.

Optivite integration

Optivite's UK business sells feed additives, mineral and vitamin premixes, fats and concentrates and organic feed; the latter marketed under the Vitrition brand. There are opportunities to improve gross margins in these areas by applying better pricing control methods and ensuring that raw material price increases are passed on as quickly as possible through selling prices. We have also improved our sales management structure identifying key market segments that require a more relationship driven approach, such as the pig and poultry home-mix market. As a result, we are strengthening the sales and technical team through recruitment.

We have consolidated the purchasing function and there has been some cross selling of products between the two brands, which is helping to broaden Agil's product range. We are strengthening the international account management team to help speed up the opening of new territories and in turn the sales growth, given that Optivite's international business has a presence in over 30 countries compared to Agil's 50 countries.

A feature of the integration has been the positive reaction from employees of both companies and their hard work and enthusiasm has helped to facilitate the process. Financial management and control has been fully integrated and is now based at the Optivite office in Worksop. We are already securing cost savings and identifying market and product opportunities. Further investment is being made to improve information systems and head office infrastructure. It will inevitably be a while before the full benefits of the acquisition are felt but the early indications are very promising.

Operations — Aquaculture

At the end of 2009 the Thailand Department of Fisheries approved the use of Aquatice® for fin fish as a water additive. This significant event allows the Group to market and sell fin fish product to tilapia and catfish farmers in Thailand, where we can demonstrate effective results in these two species. Total annual production for all species of tilapia and catfish in Thailand is around 350,000 metric tonnes, requiring about half a million tonnes of feed. Our trials in tilapia and catfish have produced significant improvements in feed conversion ratio, which potentially will deliver attractive financial benefits to farmers.

The registration dossier for shrimp Aquatice® is in the final stages of preparation and further trials are being undertaken in a number of countries. New technology, such as Aquatice®, requires a certain amount of pioneering in terms of determining the most appropriate route to registration and working with customers to adopt the product into their farming regimes. Our key focus remains Thailand where we will prove the commercial value inherent in Aquatice®.

Board membership

The Board has been enlarged following the Optivite acquisition with the appointment of three executive directors. Richard Scragg, the Chairman and founder of Optivite, joined the Board on 30 September 2009, following the completion of the acquisition. Karen Prior was appointed Group finance director and Company secretary on 1 October 2009 and joined the Company on that date. David Bullen was appointed a director and chief operating officer on 13 October 2009; David has been general manager of Agil since July 2007. I am very pleased to welcome Richard, Karen and David to the Board, where each is already making a significant contribution.

Outlook

The year has started encouragingly with our international brands trading well and the integration of Optivite continuing on plan. We are particularly excited by the potential in China and Brazil and also a number of new product developments, which are due to be launched later this year. The registration timetable and customer adoption will govern the performance of our aquaculture division, but our focus in Thailand should begin to see some success. Financially we are very sound with a strong cash position, which allows us to consider further acquisition opportunities, at the right price, to broaden our product and geographic spread and enhance shareholder value.

Richard S Rose
Chairman

25 May 2010

Directors' report

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

Directors

The directors during the year under review were:

Richard Rose
Richard Edwards
Peter Lawrence
Mark Nicholls (retired 26 April 2010)
Richard Scragg (appointed 30 September 2009)
Karen Prior (appointed 1 October 2009)
David Bullen (appointed 13 October 2009)

Principal activities

The principal activities of the Group in the year under review were those of the manufacture and supply of animal feed additives and the development and marketing of biochemical stimulants for aquaculture.

Results and dividends

The consolidated income statement for the year is set out on page 8.

The profit for the year before tax was £1,409,105 (2008: £482,211). The directors propose a final dividend of 0.05p per share (2008: 0.04p).

Substantial shareholdings

At 20 April 2010, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital.

	Ordinary shares	per cent
ISIS EP LLP	66,667,293	15.84
Unicorn Asset Management	54,333,634	12.91
Amati Global Investors	29,600,000	7.03
Williams De Broë	28,103,668	6.68
Invesco Asset Management	25,630,905	6.09
Artemis Investment Management	20,238,097	4.81
AXA Framlington Investment Management	19,309,527	4.59

Group research and development activities

The Group is continually researching into and developing new products and markets. Details of expenditure incurred and written off during the year are shown in the notes to the financial statements.

Review of the business and future developments

A full review of the year, together with an indication of future developments, is given in the Chairman's statement on pages 2 and 3.

On 30 September 2009 the Group acquired the Optivite Group whose assets and liabilities were then hived up to the Parent Company on 31 December 2009.

Principal risks and uncertainties

The Directors present below their review of the principal risks and uncertainties facing the business. If any of the following risks materialise, the Company's business, financial condition, prospects and share price could be materially and adversely affected. The Directors consider the following risks along with specific financial risks outlined in Note 2.18 to the financial statements, are the most significant but not necessarily the only ones associated with the Company and its businesses.

Competition

The Group operates in competitive global markets and there are no assurances that the Group's competitiveness will improve or that it will win any additional market share from any of its competitors or maintain existing market shares. We review our pricing and take action to control our cost base to ensure that we remain as competitive as possible and protect our margins. Failure to do this may result in materially lower margins and loss of market share.

Dependence on key customers

The Group is dependent on a number of customers and distributors in each of the territories it sells to. The loss of one or more of its key customers could result in lower than expected sales and have a significant impact on the scale of its operations. The Group seeks to minimise reliance on key territories and individual customers and distributors.

Prices of raw materials

The Group's profitability may be reduced due to increases in the price of raw materials and commodities, which can experience price volatility, caused by the price of oil, demand and specific commodity market and currency fluctuations. In mitigation the Group seeks to pass on increased costs to its customers and a number of suppliers are used in order to secure the best prices and there is close monitoring of margins with individual customers.

Key performance indicators

The key performance indicators ("KPIs") for the Group are those that communicate the financial performance and strength of the Group, as a whole, to shareholders. In addition, other key non-financial performance indicators are also used by management in running and assessing the performance of the individual businesses within the Group.

A summary of the KPIs is as follows:

	2009	2008
	£	£
Financial		
Revenue	**10,955,355**	5,428,169
Gross profit	**3,132,331**	1,897,022
Underlying profit before tax and share-based payments	**763,659**	553,836
Non-financial		
Health and safety – major accidents reportable to the Board in the year	**—**	—

The Group also regards the ongoing achievement of product registrations and quality assurance accreditations as a major KPI.

Directors' interests

The directors' interests in the shares of the Company and other Group companies were as stated below:

	Ordinary shares of 1p each	
	31 Dec 2009 (or date of appointment)	31 Dec 2008
R S Rose	714,300	714,300
R P Edwards	751,667	751,667
P A Lawrence	642,870	642,870
M R Nicholls	71,430	71,430
R H Scragg	6,637,529	—
K L Prior	—	—
D M A Bullen	—	—

Under the Group's enterprise management incentive scheme and unapproved share scheme the following directors have the right to acquire Ordinary shares as follows:

		2009 (or date of appointment)	2008
R S Rose	at 7.00p	500,000	500,000
	at 5.00p	500,000	500,000
R P Edwards	at 1.38p	2,500,000	2,500,000
	at 3.00p	14,276,967	6,276,967
P A Lawrence	at 7.38p	500,000	500,000
	at 5.00p	500,000	500,000
M R Nicholls	at 1.38p	750,000	750,000
	at 3.00p	750,000	—
	at 5.00p	500,000	500,000
	at 7.25p	250,000	250,000
K L Prior	at 3.00p	3,000,000	—
D M A Bullen	at 1.38p	750,000	750,000
	at 3.00p	6,000,000	—
	at 3.50p	500,000	500,000

Creditors payment policy

The Company agrees terms and conditions for its business transactions with its suppliers and payments are made on these terms, subject to the terms and conditions being met by the suppliers. Trade creditors at the year end amounted to 62 days (2008: 83 days) of average supplies for the year against terms agreed with our suppliers.

Internal financial control

The board of directors is responsible for the Group's system of internal financial control. Internal control systems are designed to meet the particular needs of the companies concerned and the risks to which they are exposed. This provides reasonable, but not absolute, assurance against material misstatement or loss. Strict financial and other controls are exercised by the Group over its subsidiary companies by day-to-day supervision of the businesses by the directors.

Corporate governance

The Company's shares are traded on the Alternative Investment Market of the London Stock Exchange and the Company is therefore not required to report on compliance with the Combined Code. The directors support the Combined Code and are implementing many of the recommendations which are relevant to a business the size of Kiotech International plc.

Charitable and political contributions

There were no charitable donations made in the year (2008: nil).

There were no donations made to political parties (2008: nil).

Stockbrokers

FinnCap is the Company's stockbroker and nominated adviser.

The closing share price on 31 December 2009 was 3.62p per share (2008: 1.125p).

Auditors

On 23 December 2009 F W Stephens resigned as auditors and the directors appointed PricewaterhouseCoopers LLP in their place. A resolution proposing that PricewaterhouseCoopers LLP be reappointed will be put to the Annual General Meeting.

Indemnities

By virtue of, and subject to, Article 172 of the current Articles of Association of the Company, the Company has granted an indemnity to every director, alternate director, Secretary or other officer of the Company. Such provisions remain in force at the date of this report. The Group has arranged appropriate insurance cover for any legal action against the directors and officers.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as the directors are aware;

(a) there is no relevant audit information of which the Group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board

Karen L Prior
Company Secretary

25 May 2010

Independent auditors' report
to the members of Kiotech International plc

We have audited the Group and Parent Company financial statements (the ''financial statements'') of Kiotech International plc for the year ended 31 December 2009 which comprise the Consolidated income statement, the Consolidated and parent company balance sheets, the Consolidated statement of changes in equity, the Consolidated and parent company statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ian Morrison
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

25 May 2010

Consolidated income statement
For the year ended 31 December 2009

	Notes	2009 £	2008 £
Revenue	3	**10,955,355**	5,428,169
Cost of sales		**(7,823,024)**	(3,531,147)
Gross profit		**3,132,331**	1,897,022
Administrative expenses		**(2,429,534)**	(1,468,185)
Gains on sale of intellectual property	5	**675,417**	—
Operating profit		**1,378,214**	428,837
Interest receivable	8	**31,463**	53,374
Interest payable	8	**(572)**	—
Profit before income tax		**1,409,105**	482,211
Income tax expense	11	**(193,667)**	(146,583)
Profit for the year from continuing operations		**1,215,438**	335,628
Profit for the year attributable to:			
Owners of the parent		**1,211,068**	335,628
Minority interest		**4,370**	—
		1,215,438	335,628

The Consolidated income statement has been prepared on the basis that all operations are continuing operations.

Earnings per share attributable to the equity holders of the Company:			
Basic earnings per share (pence)	9	**0.41**	0.13
Diluted earnings per share (pence)	9	**0.41**	0.13

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company profit and loss account. The profit for the Parent Company for the year was £1,147,790 (2008: £335,628).

Consolidated statement of comprehensive income
For the year ended 31 December 2009

	2009 £	2008 £
Profit for the year	**1,215,438**	335,628
Currency translation differences	**1,394**	—
Total comprehensive income for the year	**1,216,832**	335,628
Attributable to owners of the parent	**1,212,462**	335,628
Minority interest	**4,370**	—
Total comprehensive income for the year	**1,216,832**	335,628

The notes on page 12 to 31 form part of these financial statements.

Consolidated and parent company balance sheets

As at 31 December 2009

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**£**	£	**£**	£
Non-current assets					
Intangible assets	12	**6,772,475**	4,279,084	**6,772,475**	4,279,084
Property, plant and equipment	13	**663,013**	359,461	**651,803**	359,461
Investments in subsidiaries	14	**—**	—	**2,623,963**	—
		7,435,488	4,638,545	**10,048,241**	4,638,545
Current assets					
Inventories	15	**1,290,663**	469,595	**1,230,298**	469,595
Trade and other receivables	16	**4,910,850**	1,694,559	**4,846,553**	1,694,559
Cash and cash equivalents	17	**5,014,819**	1,867,592	**4,901,476**	1,867,592
		11,216,332	4,031,746	**10,978,327**	4,031,746
Total assets		**18,651,820**	8,670,291	**21,026,568**	8,670,291
Equity and liabilities					
Called up share capital	24	**4,208,989**	2,510,787	**4,208,989**	2,510,787
Share premium account	24	**2,956,612**	—	**2,956,612**	—
Other reserves	26	**508,293**	248,728	**506,899**	248,728
Special reserve		**4,441,396**	4,441,396	**4,441,396**	4,441,396
Retained earnings	25	**1,445,313**	334,675	**1,478,360**	334,675
		13,560,603	7,535,586	**13,592,256**	7,535,586
Minority Interests		**44,781**	—	**—**	—
Total equity		**13,605,384**	7,535,586	**13,592,256**	7,535,586
Non-current liabilities					
Borrowings	19	**29,626**	—	**29,626**	—
Deferred income tax liabilities	20	**492,867**	—	**492,867**	—
		522,493	—	**522,493**	—
Current liabilities					
Trade and other payables	18	**4,108,976**	1,002,495	**6,488,025**	1,002,495
Corporation tax		**414,967**	132,210	**423,794**	132,210
		4,523,943	1,134,705	**6,911,819**	1,134,705
Total liabilities		**5,046,436**	1,134,705	**7,434,312**	1,134,705
Total equity and liabilities		**18,651,820**	8,670,291	**21,026,568**	8,670,291

The notes on pages 12 to 31 form part of these financial statements.

Approved by the Board and authorised for issue on 25 May 2010.

Richard P Edwards
Director

Consolidated statement of changes in equity

For the year ended 31 December 2009

Attributable to the owners of the Parent	Share capital £	Share premium £	Special reserve £	Other reserves £	Retained earnings £	Total £	Minority interests £	Total equity £
Balance at 1 January 2008	2,510,787	9,844,198	—	177,103	(7,244,830)	5,287,258	—	5,287,258
Profit	—	—	—	—	335,628	335,628	—	335,628
Total comprehensive income for the year	—	—	—	—	335,628	335,628	—	335,628
Transactions with owners								
Capital restructuring	—	(9,844,198)	4,441,396	—	7,243,877	1,841,075	—	1,841,075
Share-based payment adjustments	—	—	—	71,625	—	71,625	—	71,625
Transactions with owners	—	(9,844,198)	4,441,396	71,625	7,243,877	1,912,700	—	1,912,700
Balance at 1 January 2009	2,510,787	—	4,441,396	248,728	334,675	7,535,586	—	7,535,586
Profit	—	—	—	—	1,211,068	1,211,068	4,370	1,215,438
Currency translation differences	—	—	—	1,394	—	1,394	—	1,394
Total comprehensive income for the year	—	—	—	1,394	1,211,068	1,212,462	4,370	1,216,832
Transactions with owners								
Issue of shares	1,698,202	2,956,612	—	228,200	—	4,883,014	—	4,883,014
Share-based payment adjustments	—	—	—	29,971	—	29,971	—	29,971
Dividends relating to 2008	—	—	—	—	(100,430)	(100,430)	—	(100,430)
Transactions with owners	1,698,202	2,956,612	—	258,171	(100,430)	4,812,555	—	4,812,555
Minority interests arising on acquisition of subsidiary (note 28)	—	—	—	—	—	—	40,411	40,411
Balance at 31 December 2009	**4,208,989**	**2,956,612**	**4,441,396**	**508,293**	**1,445,313**	**13,560,603**	**44,781**	**13,605,384**

The notes on pages 12 to 31 form part of these financial statements.

Consolidated and parent company statements of cash flows

For the year ended 31 December 2009

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**£**	£	**£**	£
Cash flows from operating activities					
Cash generated from operating activities	29	**2,421,103**	573,124	**2,378,457**	573,124
Interest paid		**(572)**	—	**—**	—
Income tax paid		**(340,092)**	(140,948)	**(121,638)**	(140,948)
Net cash generated from operating activities		**2,080,439**	432,176	**2,256,819**	432,176
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	14,28	**(3,126,656)**	—	**(3,971,715)**	—
Cash acquired from subsidiaries hived up	28	**—**	—	**517,341**	—
Payments to acquire intangible fixed assets	12	**(225,870)**	(276,594)	**(225,870)**	(276,594)
Purchases of plant and equipment	13	**(43,989)**	(7,073)	**(13,832)**	(7,073)
Interest received		**31,463**	53,374	**30,857**	53,374
Net cash used in investing activities		**(3,365,052)**	(230,293)	**(3,663,219)**	(230,293)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	24	**4,540,714**	—	**4,540,714**	—
Dividend paid to Company's shareholders	10	**(100,430)**	—	**(100,430)**	—
Repayment of borrowings		**(8,444)**	—	**—**	—
Net cash used in financing activities		**4,431,840**	—	**4,440,284**	—
Net increase in cash and cash equivalents		**3,147,227**	201,883	**3,033,884**	201,883
Cash and cash equivalents at beginning of year		**1,867,592**	1,665,709	**1,867,592**	1,665,709
Cash and cash equivalents at end of year	17	**5,014,819**	1,867,592	**4,901,476**	1,867,592

The notes on pages 12 to 31 form part of these financial statements.

Notes to the financial statements

1 General information

Kiotech International plc ("the Company") and its subsidiaries (together "the Group") manufacture and supply products to enhance health, growth and sustainability in agriculture and aquaculture. The Company acquired the Optivite Group on 30 September 2009.

The Company is traded on the London Stock Exchange AiM market and is incorporated and domiciled in the UK. The address of its registered office is Unit 5, Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS.

2 Summary of significant accounting policies

2.1 Basis of preparation

The Group has presented its annual report and accounts in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in a period of the revision and future periods if the revision affects both current and future periods.

The principal accounting policies of the Group are set out below, and have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

2.2 Adoption of new and revised standards

The group has adopted the following new and amended IFRSs as of 1 January 2009:

IAS1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income.

IFRS8, 'Operating segments'. IFRS8 replaces IAS14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

IFRS2 (amendment) 'Share-based payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact on the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS1 (amended 2008) First time adoption of IFRS
IFRS2 Group cash settled share-based payment transactions
IFRS3 (revised 2008) Business Combinations
IAS17 (amended) Leases
IAS27 (revised 2008) Consolidated and Separate Financial Statements
IAS39 (amended 2008) Financial Instruments: Recognition and Measurement

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

2.3 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 December 2009.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are included in the profit or loss for the period.

(a) Functional and presentational currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the rate on the dates of the transaction); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recognised in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

2.6 Intangible assets

(a) Patents and trademarks

Separately acquired patents and trademarks are shown at historical cost. Patents and trademarks have finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents and trademarks over their estimated useful lives of 20 years.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to the appropriate cash-generating unit for the purpose of impairment testing. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

(c) Development costs

Development costs are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. The assets are amortised on a straight-line basis over the period over which the Group expects to benefit from these assets. Research expenditure is written off to the profit and loss account in the year in which it is incurred.

(d) Brand names

Brand names acquired in a business combination are recognised at fair value at the acquisition date. Brand names are deemed to have an indefinite useful life and are not depreciated. However, they are allocated to appropriate cash-generating units and subject to impairment testing on an annual basis. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

(e) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships are deemed to have a finite useful life and are carried at fair value less amortisation. Amortisation is calculated using the straight-line method over the expected useful life.

2.7 Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, goodwill or intangible assets with an indefinite useful life, an impairment test is performed at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

2.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

2.9 Property, plant and equipment

Non-current assets are stated at cost less depreciation. Land is not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings long leasehold	50 years or period of lease if shorter
Plant and machinery	4-10 years
Fixtures, fittings and equipment	3-6 years
Vehicles	3-5 years

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business.

2.11 Trade receivables

Trade receivables are recognised and carried at original invoice amounts less an allowance for any amount estimated to be uncollectable.

2.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue on despatch of goods to the customer.

2.13 Leasing and hire purchase

The Group has entered into hire purchase contracts and leases certain property, plant and equipment.

Assets obtained under finance leases and hire purchase contracts, where the Group has substantially all the risks and rewards of ownership are capitalised as property, plant and equipment and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in borrowings net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.14 Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

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

2.15 Employee benefits

(a) Share-based payments

The group issues equity-settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. Proceeds received on the exercise of share options are credited to share capital and share premium.

(b) Pension obligations

The Group operates a defined contribution pension scheme and contributes a percentage of salary to individual employee schemes. The pension expense represents contributions payable in the year.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Financial risk management

The Group is exposed to a number of financial risks, including credit risk, liquidity risk, market price risk and exchange rate risk.

(a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has an established credit policy under which each new customer is analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. Risk is minimised through settlement via letters of credit and purchase of credit insurance.

The Group's investment policy restricts the investment of surplus cash to interest bearing deposits with banks and building societies with high credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

(c) Market price risk

Market price risk primarily comprises interest rate exposure risk on its investment income. The Group limits the amount of exposure by continually assessing the performance of these investments and maintaining flexibility to transfer to other investment vehicles as appropriate.

(d) Exchange rate risk

The Group's principal functional currency is Pounds Sterling. However, during the year the Group had exposure to Euros and US Dollars. The Group's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditure.

(e) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2.19 Critical accounting estimates and judgements

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

(a) Estimated impairment value of intangible assets

The Group tests annually whether intangible assets have suffered any impairment. Impairment provisions are recorded as applicable based on directors' estimates of recoverable values.

(b) Income taxes

The Group is subject to income taxes predominately in the United Kingdom but also in other jurisdictions.

Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated queries by the tax authorities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different for the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3 Segment information

All revenues from external customers are derived from the sale of goods in the ordinary course of business to the agricultural and aquacultural markets and are measured in a manner consistent with that in the income statement.

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographic perspective. Geographically, management considers the performance in the UK and Eire and International performance. The segment information provided to the Board for the year ended 31 December 2009 is as follows:

Management considers adjusted EBITDA, which comprises Earnings before Interest, Tax, Depreciation and Amortisation adjusted for share-based payments.

Sales between operating segments are carried out at arm's length.

	UK and Eire	International	Total
	£	£	£
Year ended 31 December 2009			
Total segmental revenue	3,761,894	7,644,012	**11,405,906**
Inter-segment revenue	(439,135)	(11,416)	**(450,551)**
Revenue from external customers	3,322,759	7,632,596	**10,955,355**
Adjusted EBITDA	95,248	1,394,846	**1,490,094**
Depreciation and amortisation	59,277	22,632	**81,909**
Income tax expense	(12,379)	(181,288)	**(193,667)**
Total assets	3,664,798	14,987,022	**18,651,820**
Total liabilities	(2,437,362)	(2,609,074)	**(5,046,436)**
Year ended 31 December 2008			
Total segmental revenue	397,900	5,030,269	5,428,169
Inter-segment revenue	—	—	—
Revenue from external customers	397,900	5,030,269	5,428,169
Adjusted EBITDA	62,955	521,684	584,639
Depreciation and amortisation	—	84,177	84,177
Income tax expense	(17,628)	(128,955)	(146,583)
Total assets	107,648	8,562,643	8,670,291
Total liabilities	(17,628)	(1,117,077)	(1,134,705)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2009	2008
	£	£
Adjusted EBITDA for reportable segments	**1,490,094**	584,639
Depreciation	**(79,610)**	(10,076)
Amortisation and impairment provisions	**(2,299)**	(74,101)
Share-based payment charges	**(29,971)**	(71,625)
Finance income-net	**30,891**	53,374
Profit before tax	**1,409,105**	482,211

4 Expenses by nature

	2009	2008
	£	£
Changes in inventories of finished goods	**392,409**	(12,527)
Raw materials and consumables used	**7,826,813**	4,070,786
Employee benefit expense (note 7)	**1,497,566**	683,252
Research and development expenditure	**75,664**	36,707
Transportation expenses	**136,037**	101,843
Operating lease payments	**102,807**	40,668
Depreciation, amortisation and impairment charges	**81,909**	84,177
Share-based payment charges	**29,971**	71,625
Loss/(profit) on foreign exchange transactions	**109,382**	(77,199)
Total cost of sales, distribution and administrative expenses	**10,252,558**	4,999,332

5 Gain on sale of intellectual property

During the year the Company sold its intellectual property relating to the Ultrabite® sports fishing pheromone attractant brand and the associated rights under its license agreement with Cefas (Centre for the Environment, Fisheries and Aquaculture Science) whilst retaining its licensing rights for the technology to the global aquaculture and commercial fishing markets under the Aquatice® brand.

	2009	2008
	£	£
Consideration received	**803,571**	—
Directly attributable expenses	**(128,154)**	—
Gain on sale of intellectual property	**675,417**	—

6 Auditor remuneration

During the year the Group obtained the following services from the Company's auditor:

	2009	2008
	£	£
Group		
Fees payable to Company's auditor for the audit of Parent Company and Consolidated statements	**16,000**	14,000
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**8,000**	—
Tax services	**5,000**	4,000
Other advisory	**3,000**	—
	32,000	18,000

7 Employees

Number of employees

The average monthly number of employees including directors during the year was:

Group	**2009**	2008
Production	**6**	—
Administration	**12**	8
Sales and technical	**6**	4
Total average headcount	**24**	12

Company	**2009**	2008
Administration	**8**	8
Sales and technical	**4**	4
Total average headcount	**12**	12

	2009	2008
Employment costs	**£**	£
Wages and salaries	**1,304,508**	617,201
Social security costs	**126,457**	56,768
Other pension costs	**66,601**	9,283
	1,497,566	683,252

8 Interest

	2009	2008
Interest receivable	**£**	£
Interest receivable on short-term bank deposits	**31,463**	53,374
Interest payable		
Hire purchase interest payable	**(572)**	—

9 Earnings per share

	2009	2008
	pence	pence
Basic earnings per share	**0.41**	0.13
Gains on sale of intellectual property	**(0.21)**	—
Underlying earnings per share	**0.20**	0.13

The calculation of the basic earnings per share is based on the profit for the year being £1,211,068 (2008: £335,628) divided by the weighted average number of shares in issue during the year, being 293,533,758 (2008: 251,078,700) shares.

The calculation of underlying earnings per share is based on the basic earnings per share, adjusted for exceptional profits of £628,138 (2009: £nil). Exceptional profits include £47,279 of tax in relation to exceptional income.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive ordinary shares, being 4,833,000 shares (2008: 4,500,000).

10 Dividend payable

	2009 £	2008 £
Dividend paid:		
2008 final paid: 0.04p per 1p share	**100,430**	—

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2009 of 0.05p per share, which will absorb an estimated £210,449 of shareholders' funds and will be paid on 30 July 2010 to shareholders who are on the Register of Members on 2 July 2010.

11 Taxation

	2009 £	2008 £
Current tax		
Current tax on profits for the year	**179,476**	145,983
Adjustment for prior years	**—**	600
Total current tax	**179,476**	146,583
Deferred tax		
Origination and reversal of temporary differences	**14,191**	—
Total deferred tax	**14,191**	—
Income tax expense	**193,667**	146,583

	2009 £	2008 £
Factors affecting the tax charge for the year		
Profit before tax	**1,409,105**	482,211
Taxation calculated at domestic rates applicable to		
Profits in the respective countries	**397,013**	144,663
Tax effects of:		
Non deductible expenses	**34,509**	27,567
Capital allowances	**(10,720)**	(2,925)
Research and development tax credits	**(141,838)**	(23,308)
Exceptional gain on sale of post 2003 intellectual property not subject to tax	**(82,991)**	—
Other tax adjustments	**(2,306)**	586
Tax charge	**193,667**	146,583

12 Intangible fixed assets

Group	Goodwill £	Brands £	Customer relationships £	Patent £	Development costs £	Total £
Cost						
As at 1 January 2008	3,551,921	—	—	41,071	539,394	4,132,386
Additions	—	—	—	4,950	271,644	276,594
As at 1 January 2009	3,551,921	—	—	46,021	811,038	4,408,980
Additions	—	—	—	—	225,870	225,870
Acquisition of subsidiary (note 28)	592,483	1,500,891	176,446	—	—	2,269,820
As at 31 December 2009	**4,144,404**	**1,500,891**	**176,446**	**46,021**	**1,036,908**	**6,904,670**
Amortisation/impairment						
As at 1 January 2008	—	—	—	1,403	54,392	55,795
Charge/impairment for the year	—	—	—	2,134	71,967	74,101
As at 1 January 2009	—	—	—	3,537	126,359	129,896
Charge for the year	—	—	—	2,299	—	2,299
As at 31 December 2009	**—**	**—**	**—**	**5,836**	**126,359**	**132,195**
Net book value						
As at 31 December 2009	**4,144,404**	**1,500,891**	**176,446**	**40,185**	**910,549**	**6,772,475**
As at 31 December 2008	3,551,921	—	—	42,484	684,679	4,279,084
As at 1 January 2008	3,551,921	—	—	39,668	485,002	4,076,591

Company	Goodwill £	Brands £	Customer relationships £	Patent £	Development costs £	Total £
Cost						
As at 1 January 2008	3,551,921	—	—	41,071	539,394	4,132,386
Additions	—	—	—	4,950	271,644	276,594
As at 1 January 2009	3,551,921	—	—	46,021	811,038	4,408,980
Additions	—	—	—	—	225,870	225,870
Acquisition of subsidiaries (note 28)	592,483	1,500,891	176,446	—	—	2,269,820
As at 31 December 2009	**4,144,404**	**1,500,891**	**176,446**	**46,021**	**1,036,908**	**6,904,670**
Amortisation/impairment						
As at 1 January 2008	—	—	—	1,403	54,392	55,795
Charge/impairment for the year	—	—	—	2,134	71,967	74,101
As at 1 January 2009	—	—	—	3,537	126,359	129,896
Charge for the year	—	—	—	2,299	—	2,299
As at 31 December 2009	**—**	**—**	**—**	**5,836**	**126,359**	**132,195**
Net book value						
As at 31 December 2009	**4,144,404**	**1,500,891**	**176,446**	**40,185**	**910,549**	**6,772,475**
As at 31 December 2008	3,551,921	—	—	42,484	684,679	4,279,084
As at 1 January 2008	3,551,921	—	—	39,668	485,002	4,076,591

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to trading brand. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond a five-year period are extrapolated using estimated growth rates of 1% per annum (2008: 1.5%).

12 Intangible fixed assets (continued)

The discount rate used of 12% (2008: 15%) is pre-tax and reflects specific risks relating to the operating segments.

Goodwill is allocated as follows:

	2009	2008
	£	£
Acquisition of Kiotechagil operations	**3,551,921**	3,551,921
Acquisition of Optivite operations	**592,483**	—
Total goodwill	**4,144,404**	3,551,921

Brands relate to the fair value of the Optivite brands acquired in the year ended 31 December 2009. These are deemed to have an indefinite useful life due to the inherent intellectual property contained in the products, the longevity of the product lives and global market opportunities.

Amortisation of patents £2,299 (2008: £2,134) is included in administrative expenses.

The carrying amount of development costs was reduced to its recoverable amount in previous years through recognition of an impairment provision. This provision was based on management forecasts of the remaining development costs and expected future economic benefits arising to the Group. Costs capitalised in the current year are in line with management forecasts of the expected remaining development costs hence no further impairment has been recognised.

13 Property, plant and equipment

Group	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2008	325,000	23,958	38,612	387,570
Additions	—	7,073	—	7,073
At 1 January 2009	325,000	31,031	38,612	394,643
Additions	—	26,380	17,609	43,989
Acquisition of subsidiaries (note 28)	5,409	233,815	99,949	339,173
At 31 December 2009	**330,409**	**291,226**	**156,170**	**777,805**
Depreciation				
At 1 January 2008	6,500	7,605	11,001	25,106
Charge for the year	—	4,586	5,490	10,076
At 1 January 2009	6,500	12,191	16,491	35,182
Charge for the year	1,324	58,974	19,312	79,610
At 31 December 2009	**7,824**	**71,165**	**35,803**	**114,792**
Net book value				
At 31 December 2009	**322,585**	**220,061**	**120,367**	**663,013**
At 31 December 2008	318,500	18,840	22,121	359,461
At 1 January 2008	318,500	16,353	27,611	362,464

Held within land and buildings is an amount of £200,000 in respect of non-depreciable land.

Plant and machinery includes the following amounts held under hire purchase contracts

	2009	2008
	£	£
Cost - capitalised hire purchase contracts	**80,344**	—
Accumulated depreciation	**(35,926)**	—
Net book value	**44,418**	—

13 Property, plant and equipment (continued)

Company	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2008	325,000	23,958	38,612	387,570
Additions	—	7,073	—	7,073
At 1 January 2009	325,000	31,031	38,612	394,643
Additions	—	11,733	2,099	13,832
Acquisition of subsidiaries (note 28)	5,085	187,100	97,824	290,009
At 31 December 2009	**330,085**	**229,864**	**138,535**	**698,484**
Depreciation				
At 1 January 2008	6,500	7,605	11,001	25,106
Charge for the year	—	4,586	5,490	10,076
At 1 January 2009	6,500	12,191	16,491	35,182
Charge for the year	1,000	5,055	5,444	11,499
At 31 December 2009	**7,500**	**17,246**	**21,935**	**46,681**
Net book value				
At 31 December 2009	**322,585**	**212,618**	**116,600**	**651,803**
At 31 December 2008	318,500	18,840	22,121	359,461
At 1 January 2008	318,500	16,353	27,611	362,464

Held within land and buildings is an amount of £200,000 in respect of non-depreciable land.

14 Fixed asset investments

Company	Unlisted investments £
Cost	
At 1 January 2008 and at 1 January 2009	1,054
Additions	4,314,015
Arising on hive up of subsidiary operations	(1,690,052)
At 31 December 2009	**2,625,017**
Provisions for diminution in value	
At 1 January 2008	—
Charge for the year	1,054
At 31 December 2008 and 31 December 2009	**1,054**
Net book value	
At 31 December 2009	**2,623,963**
At 31 December 2008	—
At 1 January 2008	1,054

14 Fixed asset investments (continued)

Holdings of more than 20 per cent

The Company holds more than 20 per cent of the share capital of the following companies:

Company	Country of registration or incorporation	Principal activity	Shares held Class	per cent
Subsidiary undertakings				
Kiotech Limited	England and Wales	Dormant	Ordinary	100
Aquatice Limited	England and Wales	Dormant	Ordinary	100
Agil Limited	England and Wales	Dormant	Ordinary	100
Kiotechagil Limited	England and Wales	Dormant	Ordinary	100
Optivite Limited	England and Wales	Dormant	Ordinary	100
Optivite International Limited	England and Wales	Dormant	Ordinary	100
Kiotechagil (Shanghai) Agriculture Science and Technology Limited	China	Technology services	Ordinary	100
Optivite Animal Nutrition Private Limited*	India	Technology services	Ordinary	100
Optivite Latinoamericana SA de CV*	Mexico	Technology services	Ordinary	98
Optivite SA (Proprietary) Limited*	South Africa	Technology services	Ordinary	60

*Shares held by subsidiary undertaking

15 Inventories

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Raw materials and consumables	**817,338**	388,679	**817,338**	388,679
Finished goods and goods for resale	**473,325**	80,916	**412,960**	80,916
	1,290,663	469,595	**1,230,298**	469,595

The cost of inventories recognised as expense and included in "cost of sales" amounted to £8,206,908 (2008: £4,212,657) for the Group and £4,529,402 (2008: £4,212,657) for the Company.

16 Trade and other receivables

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Trade receivables	**4,786,453**	2,032,947	**4,592,923**	2,032,947
Less: provision for impairment of trade receivables	**252,255**	395,742	**252,255**	395,742
Trade receivables – net	**4,534,198**	1,637,205	**4,340,668**	1,637,205
Receivables from subsidiary undertakings	**—**	—	**152,612**	—
Other receivables	**183,501**	32,981	**173,367**	32,981
Prepayments and accrued income	**193,151**	24,373	**179,906**	24,373
	4,910,850	1,694,559	**4,846,553**	1,694,559

All receivables are stated at fair value and are due within five years from the end of the reporting period.

The ageing analysis of net trade receivables is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Up to 3 months	**2,836,123**	1,041,374	**2,658,840**	1,041,374
3 to 6 months	**1,421,732**	485,129	**1,421,732**	485,129
Over 6 months	**276,343**	110,702	**260,096**	110,702
Trade receivables – net	**4,534,198**	1,637,205	**4,340,668**	1,637,205

16 Trade and other receivables (continued)

As of 31 December 2009 trade receivables of £999,732 (2008: £ 436,206) for the Group and £965,515 (2008: £ 436,206) for the Company were past due but not impaired. These relate to long-standing customers for who there are no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Up to 3 months	**552,129**	74,850	**527,686**	74,850
3 to 6 months	**445,306**	268,616	**436,440**	268,616
Over 6 months	**2,297**	92,740	**1,390**	92,740
	999,732	436,206	**965,515**	436,206

As of 31 December 2009 trade receivables of £252,255 (2008: £395,742) for the Group and £252,255 (2008: £395,742) for the Company were impaired and fully provided for. The individually impaired receivables mainly relate to historic debt for which recovery is still being sought. The Group mitigates its exposure to credit risk by extensive use of credit insurance and letters of credit to remit amounts due. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
3 to 6 months	**46,496**	—	**46,496**	—
Over 6 months	**205,759**	395,742	**205,759**	395,742
	252,255	395,742	**252,255**	395,742

Movement on the Group provision for impairment of trade receivables is as follows:

	Group and Company
	£
At 1 January 2009	395,742
Provisions for receivables created/utilised	(143,487)
At 31 December 2009	**252,255**

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Pounds Sterling	**2,888,323**	1,304,318	**2,888,323**	1,304,318
Euros	**805,357**	31,379	**805,357**	31,379
US Dollar	**664,025**	301,508	**646,988**	301,508
Other currencies	**176,493**	—	—	—
	4,534,198	1,637,205	**4,340,668**	1,637,205

17 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by Group companies. The carrying amount of these assets approximates to their fair value.

18 Trade and other payables

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Trade payables	**3,223,306**	936,814	**3,124,624**	936,814
Amounts owed to subsidiary undertakings	—	—	**2,489,458**	—
Other payables	**301,002**	—	**289,445**	—
Taxes and social security costs	**67,427**	16,275	**67,392**	16,275
Accruals and deferred income	**517,241**	49,406	**517,106**	49,406
	4,108,976	1,002,495	**6,488,025**	1,002,495

19 Borrowings

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Amounts due under hire purchase agreements	**29,626**	—	**29,626**	—

Of amounts due as at 31 December 2009 under hire purchase agreements £26,618 is due within one year and £3,008 is due between one and five years.

20 Deferred income tax

The gross movement of deferred income tax account is as follows:

	2009	2008
Group	**£**	£
At 1 January	**—**	—
Acquisition of subsidiaries (note 28)	**478,676**	—
Income statement charge	**14,191**	—
At 31 December	**492,867**	—

Deferred tax liabilities

	Accelerated tax depreciation	**Fair value gains**	**Total**
	£	**£**	**£**
At 1 January 2008 and 2009	—	—	—
Acquisition of subsidiaries (note 28)	8,676	470,000	478,676
Charged to income statement	14,191	—	14,191
At 31 December 2009	**22,867**	**470,000**	**492,867**

	2009	2008
Company	**£**	£
At 1 January	**—**	—
Hive up of subsidiaries (note 28)	**492,867**	—
At 31 December	**492,867**	—

Deferred tax liabilities

	Accelerated tax depreciation	**Fair value gains**	**Total**
	£	**£**	**£**
At 1 January 2008 and 2009	—	—	—
Hive up of subsdiaries (note 28)	22,867	470,000	492,867
At 31 December 2009	**22,867**	**470,000**	**492,867**

21 Contingent liabilities

On the acquisition of Agil, part of the consideration was deferred pending receipt of trade receivables outstanding at November 2006. Management is of the opinion that £192,799 (2008: £427,148) of these trade receivables will not prove to be recoverable and these have been written off in the financial statements.

Should the receivables be collected these balances will be due to the vendor of the business, ECO Animal Health Group plc.

In view of the uncertainty surrounding the recovery of these receivables the directors do not consider it appropriate to provide for the deferred consideration in these accounts, as this will only be paid on recovery of the receivables.

22 Financial commitments

At 31 December 2009 the Group has future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Vehicles, plant and equipment		Land and buildings	
	2009	2008	**2009**	2008
	£	£	**£**	£
Less than one year	**74,464**	3,168	**107,336**	37,500
Between one and five years	**142,696**	—	**—**	22,808

The Group leases properties under non-cancellable operating lease agreements. The lease terms are 10 years with an option to break after 5 years. The agreements are renewable at the end of the lease period at market rate.

The Group also leases property under cancellable operating lease agreements, requiring between 3 months and 12 months notice. The lease expenditure charged to the income statement during the year is disclosed in note 4.

23 Capital commitments

The Group had authorised capital commitments as at 31 December 2009 of £54,000 (2008: £nil).

At 31 December 2009 £289,000 was due and subsequently paid to the vendors of the Optivite Group of companies in respect of the balance of consideration.

24 Share capital

	2009	2008
	£	£
Authorised		
2,000,000,000 Ordinary shares of 1p each	**20,000,000**	20,000,000
1,859,672 'A' shares of 99p each	**1,841,075**	1,841,075
	21,841,075	21,841,075
Allotted, called up and fully paid		
251,078,696 Ordinary shares of 1p each	**2,510,787**	2,510,787
Issue of Ordinary shares of 1p each	**1,584,102**	—
Shares issued on acquisition of subsidiaries	**114,100**	—
	4,208,989	2,510,787

On 14 August 2008 the Company undertook a restructuring of its equity and reserves. The 'A' shares were cancelled and the share premium and debit balance on the Company's retained earnings were eliminated. As a result, a distributable special reserve was created, which would allow the proposal of dividends in the future, once the provisions of the Court Order relating to creditors' interests have been satisfied.

On 1 October 2009 the Company undertook a share placement to fund the acquisition of Optivite Group. 158,410,233 Ordinary shares of 1p were issued at a price of 3p. This resulted in £2,956,612 (net of expenses) being credited to the share premium reserve. On the same day a further 11,410,000 ordinary shares of 1p were issued at a price of 3p as consideration shares resulting in £228,200 being credited to the merger reserve.

25 Retained earnings

	Group	**Company**
	£	**£**
At 1 January 2008	(7,244,830)	(7,243,877)
Profit for the year	335,628	334,675
Capital restructuring	7,243,877	7,243,877
At 31 December 2008	334,675	334,675
Profit for the year	1,211,068	1,147,790
Dividends relating to 2008	(100,430)	(100,430)
Arising on hive up of subsidiaries	—	96,325
At 31 December 2009	**1,445,313**	**1,478,360**

26 Other reserves

Other reserves comprise:

	2009 £	2008 £
Merger reserve	**228,200**	—
Share based payment reserve	**278,699**	248,728
Translation reserve	**1,394**	—
	508,293	248,728

Movements in other reserves balances are shown in the Consolidated statement of changes in equity.

27 Share-based payments

Movements in the number of share options outstanding are as follows:

	Weighted average exercise price (p)	Shares 2009	Shares 2008
Outstanding at 1 January	3.64	**18,876,967**	20,999,817
Granted during the year	2.99	**18,350,000**	4,500,000
Forfeited during the period	—	—	(6,276,967)
Expired during the year	—	—	(345,883)
Outstanding at 31 December	3.32	**37,226,597**	18,876,967
Exercisable at 31 December		**15,626,967**	15,126,967

Share options outstanding at the end of the year have the following expiry dates and weighted average exercise prices:

Expiry date	Weighted average exercise price (p)	Shares 2009	Shares 2008
2015	7.20	**1,250,000**	1,250,000
2016	3.00	**6,276,967**	6,276,967
2017	4.81	**4,000,000**	4,000,000
2018	2.93	**7,350,000**	7,350,000
2019	2.99	**18,350,000**	—
		37,226,967	18,876,967

On 5 October 2009 and 31 December 2009 options were awarded under the Company's Enterprise Management Incentive Scheme in tranches which vest subject to performance criteria being met linked to increases in the Company's share price. The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of fair value received is calculated based on appropriate valuation models.

The expense is apportioned over the vesting period and is based on the number of financial instruments which are expected to vest and the fair value of those financial instruments at the date of grant. The charge for the year in respect of share options granted amounts to £29,971 (2008: £71,625).

The weighted average fair value of options granted during the year was determined based on the following assumptions:

Grant date	30 April	5 October and 31 December
Number of options granted	500,000	17,850,000
Grant price (p)	2.625	3.00
Exercise price (p)	2.625	3
Vesting period (years)	3	0
Option expiry (years)	10	10
Expected volatility of the share price	37 per cent	37 per cent
Dividends expected on the shares	1.52 per cent	1.52 per cent
Risk-free rate	2.77 per cent	2.77 per cent
Fair value (p)	0.82	1.13
Pricing model	Black–Scholes	Monte Carlo

28 Business combinations

Group

On 1 October 2009, the Group acquired 100% of the share capital of Optivite Limited and Optivite International Limited ("Optivite Group") for £3,994,412 before costs.

At that date, the fair value of the net assets and liabilities of the Optivite Group equalled £3,647,485 and consequently gives rise to goodwill on the transaction of £592,483.

The acquired business contributed revenues of £3,150,565 and net profit after tax of £106,895 to the Group for the period 1 October 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009 Group revenue for the full year would have been £23,172,057 and net profit would have been £1,849,343. These amounts have been calculated using the Group's accounting policies.

The goodwill arising on acquisition is attributable to the synergies expected from combining the operations of the Group with the Optivite Group.

The fair value of the shares issued was based on the price used for the share placing on 1 October 2009.

Details of net assets acquired and goodwill are as follows:

Purchase consideration	**2009** **£**
Cash paid	**3,652,112**
Direct costs relating to the acquisition	**205,146**
Fair value of shares issued	**342,300**
Total purchase consideration	**4,199,558**

The assets and liabilities as at 1 October 2009 arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying value**
Cash and cash equivalents	730,602	730,602
Property, plant and equipment	339,173	339,173
Investments in subsidiaries	13,353	13,353
Brands	1,500,891	—
Customer relationships	176,446	—
Inventories	637,935	637,935
Trade and other receivables	3,545,628	3,545,628
Trade and other payables	(2,386,984)	(2,386,984)
Borrowings	(38,070)	(38,070)
Corporation tax	(443,373)	(443,373)
Deferred tax liabilities	(478,676)	(8,676)
Other net assets	50,560	50,560
Fair value of assets	3,647,485	2,440,148
Goodwill	592,483	
Minority interests	(40,410)	
Total purchase consideration	**4,199,558**	
Purchase consideration settled in cash		3,857,258
Cash and cash equivalents in subsidiaries acquired		(730,602)
Cash outflow on acquisition		3,126,656

There were no acquisitions in the year ended 31 December 2008.

28 Business combinations (continued)

On 31 December 2009 the operations and net assets of Optivite Limited and Optivite International Limited were transferred to Kiotech International plc as a hive up transaction.

This represents a common control transaction and hence is outside the scope of IFRS3. The Group has therefore selected to account for the transaction using predecessor values which represent the value of the assets and liabilities in the highest level of Group. These values have therefore been determined from the carrying value of assets and liabilities in the consolidated Group as at 31 December 2009. The assets and liabilities transferred as at 31 December 2009 are as follows:

Company	Carrying value £
Goodwill	592,483
Cash and cash equivalents	517,341
Property, plant and equipment	290,009
Investment in subsidiaries	13,353
Brands	1,500,891
Customer relationships	176,446
Inventories	751,844
Trade and other receivables	3,864,676
Trade and other payables	(2,628,492)
Corporation tax	(266,781)
Borrowings	(29,626)
Deferred tax liabilities	(492,867)
Carrying value of assets hived up	**4,289,277**

29 Cash generated from operations

	Group		Company	
	2009	2008	**2009**	2008
	£	£	**£**	£
Profit before income tax	**1,409,105**	482,211	**1,294,232**	482,211
Adjustments for:				
Finance costs	**(30,891)**	(53,374)	**(30,857)**	(53,374)
Depreciation	**79,610**	10,076	**11,499**	10,076
Amortisation	**2,299**	74,101	**2,299**	74,101
Share-based payments	**29,971**	71,625	**29,971**	71,625
Changes in working capital:				
Inventories	**(183,133)**	(75,550)	**(8,859)**	(75,550)
Trade and other receivables	**350,369**	752,956	**712,682**	752,956
Trade and other payables	**763,773**	(688,921)	**367,490**	(688,921)
Cash generated from operations	**2,421,103**	573,124	**2,378,457**	573,124

30 Related party transactions

Group and Company

The following transactions were carried out with related parties:

ECO Animal Health Group plc has an accounting management agreement with the Group for which it receives £40,968 per annum (2008: £39,504). Work done by certain employees of ECO Animal Health Group plc in connection with the marketing and development of the chemosensory stimulants was charged amounting to £92,164 (2008: £86,604). Peter Lawrence, Chairman of ECO Animal Health Group plc, is also a non-executive director of the Company and £22,250 (2008: £20,167) was paid to ECO Animal Health Group plc in respect of his services and expenses. Electro Switch Limited, a company controlled by Richard Rose, received the sum of £5,000 (2008: £5,000) in respect of services provided by him.

Key management comprises the directors of Kiotech International plc.

Their emoluments are as follows:

Directors emoluments	**2009** £	2008 £
Salaries and other short-term employment benefits	**416,714**	264,009
Post employment benefits	**10,777**	6,240
Share-based payments	**29,285**	33,254
	456,776	303,503
Highest paid director	**203,374**	131,184

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Kiotech International plc, please forward this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Board of Kiotech International plc considers all of the proposed resolutions to be in the best interests of shareholders as a whole and accordingly recommends that shareholders vote in favour of all the resolutions proposed.

Notice of Annual General Meeting (AGM)

Notice is hereby given that the AGM of Kiotech International plc will be held at the offices of FinnCap, 4 Coleman Street, London EC2R 5TA on Wednesday 30 June 2010, at 10.30 am for the following purposes:

Resolution 1

To receive the Directors' Report and the Financial Statements for the year ended 31 December 2009.

Resolution 2

To declare a final dividend of 0.05p per ordinary share payable to shareholders on the register at close of business on 2 July 2010.

Resolution 3

To reappoint R E Edwards as a Director, who retires by rotation.

Resolution 4

To reappoint P A Lawrence as a Director, who retires by rotation.

Resolution 5

To reappoint R H Scragg, who as a new director appointed by the Board, must retire and seek reappointment at the next general meeting following appointment.

Resolution 6

To reappoint K L Prior, who as a new director appointed by the Board, must retire and seek reappointment at the next general meeting following appointment.

Resolution 7

To reappoint D M A Bullen, who as a new director appointed by the Board, must retire and seek reappointment at the next general meeting following appointment.

Resolution 8

To reappoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine the auditors' remuneration.

And

To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolutions 9 as an ordinary resolution of the Company and as to Resolutions 10 and 11 as special resolutions of the Company.

Resolution 9

That pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,388,966, provided that (unless previously revoked varied or renewed) this authority shall expire on 30 September 2011 or until the next AGM, whichever is the sooner, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 80 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Resolution 10

THAT subject to the passing of Resolution 9 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 9 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

   (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

   (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £210,449 and (unless previously revoked varied or renewed) this power shall expire on 30 September 2011 or until the next AGM, whichever is the sooner, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Section 95 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Resolution 11

THAT pursuant to Section 701 of the Companies Act 2006, the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 1p each in the capital of the Company (ordinary shares) provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 42,089,890;

(b) the minimum price (excluding expenses) which may be paid for an ordinary share is 1p;

(c) the maximum price (excluding expenses) which may be paid for an ordinary share is not more than the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days before the purchase is made; and

(ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;

(d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 September 2011; and

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority.

By Order of the Board

Karen Prior
Company Secretary

25 May 2010

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

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

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - completed and signed;
   - sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232;
   - alternatively, the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com;
   - and received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

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

Changing proxy instructions

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

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

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

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

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

Issued shares and total voting rights

10. As at 21 May 2010 the Company's issued share capital comprised 420,898,929 ordinary shares of 1p each. Each ordinary share carries the right to one vote at an Annual General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 21 May 2010 is 420,898,929.


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