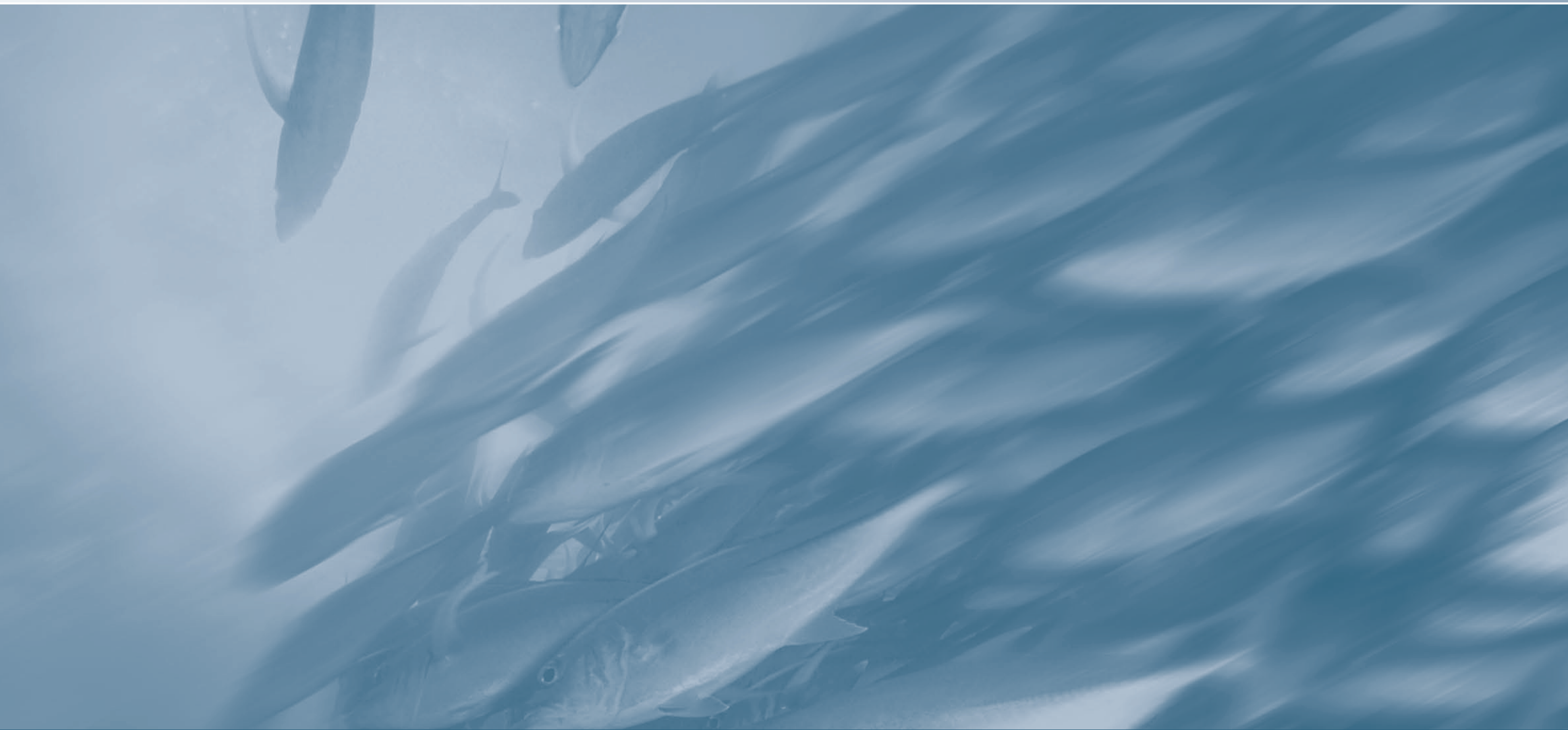
Kiotech International plc



Annual Report and Accounts 2008

kiotechagil

Performance in aquaculture&agriculture

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

Company information

Directors
Richard S Rose
Richard P Edwards
Peter A Lawrence
Mark R Nicholls

Secretary
Mrs Julia Trouse

Company number
Registered in England number 03345857

Registered office
78 Coombe Road, New Malden, Surrey, KT3 4QS

Registered Auditors
F W Stephens, Third floor, 24 Chiswell Street, London, EC1Y 4YX

Bankers
NatWest, 282 London Road, Mitcham, Surrey, CR4 2ZP

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

Registrars
Share Registrars Limited,
9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL
Telephone: 01252 821390

Website
www.kiotech.com

Chairman's statement

I am delighted to report that the Company has delivered a strong performance in the period under review with good results from our agriculture and aquaculture operations. Kiotech's pre tax profit, before share-based payments, sales and cash balances all increased in what has been a challenging and volatile year. This performance reflects rapid and decisive management action to preserve margins in the face of turbulence in currency markets and rising raw material and commodity prices, particularly in the first half of the year.

Results

In the year to 31 December 2008 pre tax profit, before share-based payments, increased by 12 per cent to £553,836 (2007: £494,191). Sales were ahead of last year at £5,428,169 (2007: £5,352,224). The balance sheet is strong and the year ended with a cash balance of over £1.86 million (2007: £1.67 million) underlining the cash generative quality of the business.

The Board is delighted to announce that, having carefully considered the Company's financial position and prospects, it will commence dividend payments and is declaring a maiden final dividend of 0.04 pence per share. Shareholder approval will be sought at the Annual General Meeting on 23 June 2009 to pay the final dividend on 31 July 2009 to shareholders on the register on 3 July 2009.

In the first part of the year management's focus was to ensure that the significant raw material price increases experienced by the Company were passed on as quickly as possible through selling prices. This action has proved effective and enabled the agricultural business to protect its gross margins. The rate of raw material price rises has since abated somewhat, although some prices continue to rise, driven by the weak pound and the pricing power of some of the major European chemical suppliers.

The Agil business supplies product to over 50 countries where local agricultural markets can be driven by factors including GDP and population growth, legislation, illness, such as avian influenza, and farm economics. Sales in around half our overseas markets increased compared with the same period last year, with some strong performances in Australia, Chile, Germany, Korea, Peru, Saudi Arabia and Spain. There has been some encouraging growth of our Salkil products in certain European countries where the new EU National Salmonella Control Programme, introduced in February 2008, has been taken seriously by the poultry industry.

Management has continued its programme to revitalise the Company's distribution arrangements; distributors have been appointed in a number of new territories and distributors have been changed in some underperforming territories. Start up sales from recently appointed distributors in Belarus, Egypt, Indonesia and Vietnam have been encouraging and a distributor has recently been appointed in South Africa. A wholly owned subsidiary is being established in Shanghai, to launch our agricultural interests in China, which has a vast agricultural industry and presents many opportunities for our products. However, we are at an early stage in our development in that country and we must register our products before sales can commence.

New product development is the key to driving organic growth and the technical team has focused on a number of new lines which we plan to trial and launch later this year. Further products are in the pipeline, which will take time to develop and then will have to meet the efficacy standards as part of individual country registration. Agil's gut acidifier, pHorce, is demonstrating good results in the pig and poultry sectors where trials show the investment return to the farmer can be at least five times the cost of the product. pHorce is also being used in fishmeal to eliminate enteropathogens such as Salmonella and sales continue to build, month on month.

Operations — Aquaculture

In the interim results in September 2008, we advised that additional environmental risk endorsements would be required for our patented Aquatice® fish feeding attractant. These environmental considerations are particularly relevant because, unlike feed additives, Aquatice® is simply sprayed on the water.

Following the year-end, Defra (Department for Environment, Food and Rural Affairs) reviewed and approved a full environmental risk assessment of the Aquatice® range. This risk assessment followed the UK Government's and European Commission's directives relating to the aquatic environment and confirms that Aquatice® products pose no unacceptable risk to the aquatic environment when used within the limits identified and diluted as the manufacturer instructs.

Now that these important endorsements have been received, management can focus on obtaining local country registrations and the first commercial sales with our partner distributors. These endorsements, along with the Certificate of Manufacture and Free Sale, form the basis of our submission for international registration of Aquatice® as a water additive. Registration in each national market is an essential component of the product development process before sales can commence. The Company will be working with Bayer HealthCare to bring the Aquatice® technology to market as soon as possible, initially in key Asian territories.

The trials programme had some notable success with catfish in Thailand, which will support the marketing of Aquatice® in that region. Extensive tank trials were undertaken in China with Pacific eel, which is a high priced delicacy in the Asia Pacific region; eel feed is double the price of other fish feed, which makes the cost benefits of Aquatice® even more important. The eels in the Aquatice® treated tanks had a significantly greater mean weight than those in the control tanks.

Sports Fishing

We announced in January 2009 that our global distributor, Rapala VMC Corporation, had commenced shipping its biodegradable lure range (Trigger-X), incorporating our Ultrabite® pheromones, to American sports fishing dealers. This launch led to an increase in Ultrabite® sales towards the end of last year, and we now await further feedback on the adoption of Rapala's lures by the American sports fishing market. Rapala plans a European launch later this year.

Further product and territory launches throughout the year are expected to build on our sales of Ultrabite®. We are also working with a number of other bait manufacturers to develop ground baits incorporating Ultrabite® for the sports and leisure fishing market. We have improved our margins on Ultrabite® through a price increase, which now gives us an acceptable return for our unique technology.

Outlook

We have made a strong start to the current year with sales well ahead of the same period last year. Our key priority remains the local registration and launch of Aquatice® and management is working with our partners to bring this product to market as soon as possible. The registration timetable and customer adoption will govern the performance of our aquaculture division. The Company has a strong balance sheet and significant cash resources with which to develop both the product and market opportunities. We continue to seek to acquire businesses, which fit strategically and will deliver value to shareholders.

Richard S Rose

Chairman

20 April 2009

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2008.

Directors

The directors during the year under review were:

Richard Rose
Richard Edwards
Peter Lawrence
Mark Nicholls

Principal activities and review of the business

The principal activities of the Group in the year under review were those of development and marketing of biochemical stimulants and those of manufacturers and suppliers of animal feed additives.

Results and dividends

The consolidated income statement for the year is set out on page 7.

The profit for the year before tax was £482,211 (2007: £464,405). The directors propose a final dividend of 0.04p per share (2007: nil).

Substantial shareholdings

At 16 March 2009, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital.

	Ordinary shares	%
Unicorn Asset Management	33,333,634	13.28
Invesco Asset Management	32,288,300	12.86
Isis EP LLP	23,968,739	9.55
Axa Framlington Investment Management	19,134,527	7.62
Williams De Broë	11,552,000	4.60
Artemis Investment Management	10,238,097	4.08
Wills & Co	10,080,999	4.02
ECO Animal Health Group plc	8,333,334	3.32

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 accounts.

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.

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 2008	Ordinary shares of 1p each 1 Jan 2008
R S Rose	714,300	714,300
R P Edwards	666,667	666,667
P A Lawrence	642,870	642,870
M R Nicholls	71,430	71,430

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

		2008	2007
R P Edwards	at 1.38p	2,500,000	—
	at 3.00p	6,276,967	6,276,967
	at 6.00p	—	3,766,180
	at 9.00p	—	2,510,787
R S Rose	at 7.00p	500,000	500,000
	at 5.00p	500,000	500,000
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	—
	at 5.00p	500,000	500,000
	at 7.25p	250,000	250,000

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 83 days (2007: 97 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 (2007: nil).

There were no donations made to political parties (2007: nil).

Stockbrokers

FinnCap is the Company's stockbroker and nominated adviser.

The closing share price on 31 December 2008 was 1.125p per share, (2007: 3.875p).

Auditors

In accordance with section 485 of the Companies Act 2006 a resolution proposing that F W Stephens be reappointed as auditors of the Company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable and prudent;

— state whether applicable accounting standards 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 Group will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985 and article 4 of the IAS regulation. 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.

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

Richard P Edwards

Director

20 April 2009

Independent auditors' report

We have audited the Group and parent Company financial statements of Kiotech International plc for the year ended 31 December 2008, which comprise the consolidated income statement, the consolidated and Company balance sheet, the consolidated cashflow statement and the related notes. These financial statements have been prepared under the historical cost convention and under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' responsibilities set out in the report of the directors, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS regulations. We also report to you whether in our opinion the information in the directors' report and chairman's statement is consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report and the chairman's statement and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

— the Group financial statements give a true and fair view in accordance with IFRS as adopted by the European Union, of the state of the Company's and the Group's affairs as at 31 December 2008 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and as regards the Group financial statements, Article 4 of the IAS Regulations and,

— the information given in the directors' report and chairman's statement is consistent with the financial statements.

F W Stephens
Chartered Accountants
Registered Auditors

24 Chiswell Street
London
EC1Y 4YX

20 April 2009

Consolidated income statement

	Notes	2008 £	2007 £
Revenue	2	**5,428,169**	5,352,224
Cost of sales		**(3,531,147)**	(3,598,425)
Gross profit		**1,897,022**	1,753,799
Administrative expenses		**(1,545,384)**	(1,347,840)
Other operating income		**77,199**	10,327
Operating profit	3	**428,837**	416,286
Interest receivable		**53,374**	48,127
Interest payable	4	**—**	(8)
Profit for the year before taxation		**482,211**	464,405
Taxation	5	**(146,583)**	(128,553)
Profit for the year after taxation		**335,628**	335,852

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

	Notes	2008	2007
Basic earnings per share (pence)	6	**0.13**	0.13
Diluted earnings per share (pence)	6	**0.13**	0.13

Statement of total recognised income and expense

For the year ended 31 December 2008

	2008 £	2007 £
Profit for the financial year	**335,628**	335,852

All other changes to equity are shown in the notes to the accounts.

Balance sheets

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**£**	£	**£**	£
Non-current assets					
Intangible assets	8	**4,279,084**	4,076,591	**4,279,084**	4,076,591
Property, plant and equipment	9	**359,461**	362,464	**359,461**	362,464
Investments	10	**—**	—	**—**	1,054
		4,638,545	4,439,055	**4,638,545**	4,440,109
Current assets					
Inventories	11	**469,595**	394,045	**469,595**	394,045
Trade and other receivables	12	**1,694,559**	2,447,515	**1,694,559**	2,447,465
Cash and cash equivalents		**1,867,592**	1,665,709	**1,867,592**	1,665,658
		4,031,746	4,507,269	**4,031,746**	4,507,168
Total assets		**8,670,291**	8,946,324	**8,670,291**	8,947,277
Equity and liabilities					
Called up share capital	17	**2,510,787**	4,351,862	**2,510,787**	4,351,862
Share premium account	18	**—**	9,844,198	**—**	9,844,198
Other reserves	18	**248,728**	177,103	**248,728**	177,103
Special reserve	18	**4,441,396**	—	**4,441,396**	—
Retained earnings	18	**334,675**	(7,244,830)	**334,675**	(7,243,877)
Total equity	19	**7,535,586**	7,128,333	**7,535,586**	7,129,286
Current liabilities					
Trade and other payables	14	**1,002,495**	1,691,415	**1,002,495**	1,691,415
Corporation tax		**132,210**	126,576	**132,210**	126,576
Total equity and liabilities		**8,670,291**	8,946,324	**8,670,291**	8,947,277

Approved by the Board and authorised for issue on 20 April 2009.

Richard P Edwards
Director

Consolidated cash flow statement

	2008		2007	
	£	£	£	£
Net cash from operating activities		**573,124**		650,995
Taxation		**(140,948)**		—
Investing activities and servicing of finance				
Interest received	**53,374**		48,127	
Interest paid	**—**		(8)	
Payments to acquire intangible assets	**(276,594)**		(369,905)	
Payments to acquire property, plant and equipment	**(7,073)**		(10,258)	
Net cash used in investing activities		**(230,293)**		(332,044)
Net increase in cash and cash equivalents		**201,883**		318,951
Net cash and cash equivalents at beginning of period		**1,665,709**		1,346,758
Net cash and cash equivalents at end of period		**1,867,592**		1,665,709

Notes to the consolidated cash flow statement

1 Reconciliation of operating profit to net cash from operating activities

	2008	2007
	£	£
Operating profit	**428,837**	416,286
Depreciation of property, plant and equipment	**10,076**	15,698
Amortisation of intangible assets	**74,101**	35,733
Share-based payments	**71,625**	29,786
(Increase)/decrease in inventories	**(75,550)**	50,196
Decrease in trade and other receivables	**752,956**	128,658
(Decrease) in trade and other payables	**(688,921)**	(25,362)
Net cash from operating activities	**573,124**	650,995

2 Analysis of net funds

	1 January 2008	Cash flow	**31 December 2008**
	£	£	**£**
Net funds:			
Cash and cash equivalents	1,665,709	201,883	**1,867,592**

Notes to the consolidated financial statements

1 Accounting policies

1.1 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.

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.

1.2 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 December 2008. Profit or losses on intra-Group transactions are eliminated in full on consolidation.

1.3 Revenue

Revenue represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is carried at cost. Separately identifiable intangible assets that can be reliably measured have been recognised separately on acquisition. The remaining intangibles that cannot be reliably measured have been included within goodwill. Goodwill is tested for impairment on an annual basis.

1.5 Impairment

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.

1.6 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.7 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.

1 Accounting policies (continued)

1.8 Non-current assets and depreciation

Non current assets are stated at cost less depreciation. 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:

Patents	20 years
Development costs	10 years
Land and buildings leasehold	50 years
Plant and machinery	10 years
Computer equipment	5 years
Fixtures, fittings and equipment	5 years

1.9 Leasing

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

1.10 Investments

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

1.11 Inventories

Inventories are valued at the lower of cost and net realisable value.

1.12 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into 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.

1.14 Share-based payments

For equity-settled share-based payment transactions, the Group, in accordance with IFRS2 measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of those equity instruments shall be measured at grant date, using the binomial method. The expense is apportioned over the vesting period of the financial instrument and is based on the number which are expected to vest and the fair value of those financial instruments at the date of the grant. If the equity instruments granted vest immediately, the expense is recognised in full.

2 Revenue

The total revenue of the Group for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the Group's turnover, operating profit and net assets is set out as below:

Turnover	2008 £	2007 £
Geographical segment		
Europe	**2,268,769**	2,115,195
Rest of the world	**3,159,400**	3,237,029
	5,428,169	5,352,224

Operating profit	2008 £	2007 £
Geographical segment		
Europe	**179,238**	215,548
Rest of the world	**249,599**	200,738
	428,837	416,286

3 Operating profit

	2008 £	2007 £
Operating profit is stated after charging:		
Depreciation of intangible assets	**74,101**	35,733
Depreciation of property, plant and equipment	**10,076**	15,698
Research and development	**36,707**	20,534
Audit services	**14,000**	14,000
Operating lease rentals	**3,172**	3,172
Remuneration of auditors for non-audit work	**4,000**	2,800
and after crediting:		
Profit on foreign exchange transactions	**(77,199)**	(10,327)

4 Interest payable

	2008 £	2007 £
Other interest payable	—	8

5 Taxation

	2008 £	2007 £
Domestic current year tax		
UK corporation tax	**145,983**	126,576
Adjustment for prior years	**600**	1,977
Current tax charge	**146,583**	128,553
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	**482,211**	464,405
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2007: 30.00%)	**144,663**	139,322
Effects of:		
Non deductible expenses	**27,567**	26,490
Capital allowances	**(2,925)**	(4,220)
Research and development tax credits	**(23,308)**	(24,308)
Other tax adjustments	**586**	(8,731)
Current tax charge	**146,583**	128,553

6 Earnings per share

The calculation of the basic earnings per share is based on the profit for the year being £335,628 (2007: £335,852) divided by the weighted average number of shares in issue during the year, being 251,078,700 (2007: 251,078,700) shares.

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 options and other dilutive potential ordinary shares.

7 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the holding Company's income statement has not been included in these financial statements. The profit for the financial year is made up as follows:

	2008 £	2007 £
Holding Company's profit for the financial year	**334,675**	335,852

8 Intangible fixed assets

Group and Company	Patents £	Goodwill £	Development costs £	Total £
Cost				
At 1 January 2008	41,071	3,551,921	539,394	4,132,386
Additions	4,950	—	271,644	276,594
At 31 December 2008	46,021	3,551,921	811,038	4,408,980
Amortisation				
At 1 January 2008	1,403	—	54,392	55,795
Charge for the year	2,134	—	71,967	74,101
At 31 December 2008	3,537	—	126,359	129,896
Net book value				
At 31 December 2008	42,484	3,551,921	684,679	4,279,084
At 31 December 2007	39,668	3,551,921	485,002	4,076,591

9 Property, plant and equipment

Group and 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 31 December 2008	325,000	31,031	38,612	394,643
Depreciation				
At 1 January 2008	6,500	7,605	11,001	25,106
Charge for the year	—	4,586	5,490	10,076
At 31 December 2008	6,500	12,191	16,491	35,182
Net book value				
At 31 December 2008	318,500	18,840	22,121	359,461
At 31 December 2007	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.

10 Fixed asset investments

Company	Unlisted investments £
Cost	
At 1 January 2008 and at 31 December 2008	1,054
Provisions for diminution in value	
At 1 January 2008	—
Charge for the year	1,054
At 31 December 2008	1,054
Net book value	
At 31 December 2008	—
At 31 December 2007	1,054

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	Shares held Class	%
Subsidiary undertakings			
Kiotech Limited	England and Wales	Ordinary	100
Ultrabite Limited	England and Wales	Ordinary	100
Agil Limited	England and Wales	Ordinary	100
Kiotechagil Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Kiotech Limited	Dormant
Ultrabite Limited	Dormant
Agil Limited	Dormant
Kiotechagil Limited	Dormant

11 Inventories

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Raw materials and consumables	**388,679**	300,602	**388,679**	300,602
Finished goods and goods for resale	**80,916**	93,443	**80,916**	93,443
	469,595	394,045	**469,595**	394,045

12 Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Trade receivables	**1,637,205**	2,283,639	**1,637,205**	2,283,639
Other receivables	**32,981**	135,787	**32,981**	135,737
Prepayments and accrued income	**24,373**	28,089	**24,373**	28,089
	1,694,559	2,447,515	**1,694,559**	2,447,465

13 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.

14 Current liabilities: Trade and other payables

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Other payables	—	521,796	—	521,796
Trade payables	**936,814**	1,094,172	**936,814**	1,094,172
Taxes and social security costs	**16,275**	37,098	**16,275**	37,098
Accruals and deferred income	**49,406**	38,349	**49,406**	38,349
	1,002,495	1,691,415	**1,002,495**	1,691,415

15 Financial instruments

The Group's financial instruments comprise cash, trade receivables and trade payables that arise directly from its operations.

The Group's circumstances and operations do not require the use of complex financial instruments.

a) Currency risk

The Group operates in overseas markets and is subject to currency exposures on transactions undertaken during the year. The Group does not hedge any transactions, and foreign exchange differences on retranslation of foreign assets and liabilities are taken to the profit or loss of the Group companies and the Group.

The Group held the following financial assets at 31 December 2008 and 31 December 2007.

	2008	2007
	£	£
Cash and cash equivalents	**1,867,592**	1,665,709

b) Credit risk

The Group has no significant concentrations of credit risk and has policies in place to ensure that sales are made to customers with an appropriate credit history.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The directors consider they have adequate cash resources to provide sufficient cover for its trading activities at the present time.

16 Share-based payments

The Group has issued the following share options:

Outstanding at the beginning of the period (as restated)	20,999,817
Granted during the period	4,500,000
Forfeited during the period	(6,276,967)
Exercised during the period	—
Expired during the period	(345,883)
Outstanding at the period end	18,876,597
Exercisable at the end of the period	15,126,967

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 the trinomial model until November 2007, but a binominial model was used for valuing options granted in 2008. The assumptions used in the models are as follows:

Grant date	12 July 06	28 Nov 06	4 June 07	4 June 07	01 Nov 07	30 Sept 08	30 Sept 08
Grant price (p)	5.25	4	5	5	3.5	1.38	1.38
Exercise price (p)	5.38	3	5	5	3.5	1.38	1.38
Vesting period (years)	2	immediate	3	2	3	immediate	3
Option expiry (years)	12	10	10	10	10	10	10
Expected volatility of the share price	30%	30%	25%	25%	25%	16%	16%
Dividends expected on the shares	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free rate	4.62%	4.42%	5.29%	5.29%	4.93%	4.50%	4.50%
Employee exercise multiple	2	2	2	2	2	2	2
Fair value (p)	2.05	1.56	1.70	1.50	1.10	1.255	1.255
Performance condition			A		B		

The options subject to performance condition A will vest on the earlier of the third anniversary of the date of grant or the achievement of annual gross profits of £150,000 from the Company's Credence product combined with annual gross profits of £200,000 from new territory sales.

The options subject to performance condition B will vest on the earlier of the third anniversary of the date of grant or the achievement of annual gross profit of £100,000 from the Company's Peru production initiative combined with annual gross profits of £300,000 from sales in the United Kingdom and Ireland.

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, included in administration expenses, in respect of share options granted amounts to £71,625 (2007: £29,786)

At the date of valuation little historical share price data for Kiotech International plc existed in order to assist with arriving at an appropriate volatility. The directors have therefore had regard to the volatilities of those quoted companies that they consider to show some degree of comparability with Kiotech International plc.

IFRS 2 requires the Group to take account of the fact that volatilities tend to revert towards a long term average level. Consequently the directors consider that over the life of the options, it is reasonable to expect the volatility to revert towards a long term average level of around 30 per cent. The directors initially therefore applied a volatility of 30 per cent for the options issued. Consistent with requirements of IFRS 2, the directors have assumed that the volatility will tend towards a lower longer term mean over time, and therefore assumed a figure of 16 per cent in respect of options issued in 2008.

17 Share capital

	2008 £	2007 £
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		
251,078,700 Ordinary shares of 1p each	**2,510,787**	2,510,787
0 ‘A’ shares of 99p each (2007: 1,859,672)	—	1,841,075
	2,510,787	4,351,862

On 14 August 2008 the Company undertook a restructuring of its equity and reserves. As a result of this restructuring the ‘A’ shares were cancelled.

18 Statement of movements on reserves

Group	Share premium account £	Special reserve £	Reserve for share-based payments £	Retained earnings £
Balance at 1 January 2008	9,844,198	—	177,103	(7,244,830)
Profit for the year	—	—	—	335,628
Capital restructuring	(9,844,198)	4,441,396	—	7,243,877
Movement during the year	—		71,625	—
Balance at 31 December 2008	—	4,441,396	248,728	334,675

Company	Share premium account £	Special reserve £	Reserve for share-based payments £	Retained earnings £
Balance at 1 January 2008	9,844,198	—	177,103	(7,243,877)
Profit for the year	—	—	—	334,675
Capital restructuring	(9,844,198)	4,441,396	—	7,243,877
Movement during the year	—	—	71,625	—
Balance at 31 December 2008	—	4,441,396	248,728	334,675

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.

19 Reconciliation of movements in total equity

	2008	2007
	£	£
Group		
Profit for the financial year	**335,628**	335,852
Cost of share options granted	**71,625**	29,786
Net addition to total equity	**407,253**	365,638
Opening total equity	**7,128,333**	6,762,695
Closing total equity	**7,535,586**	7,128,333

	2008	2007
	£	£
Company		
Profit for the financial year	**334,675**	335,852
Cost of share options granted	**71,625**	29,786
Net addition to total equity	**406,300**	365,638
Opening total equity	**7,129,286**	6,763,648
Closing total equity	**7,535,586**	7,129,286

20 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 £427,148 of these trade receivables will not prove to be recoverable and these have been written off in the financial statements. The corresponding deferred consideration payable has similarly been written off.

Should the debts 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 debts.

21 Financial commitments

At 31 December 2008 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2008	2007
	£	£
Expiry date:		
Between one and five years	**37,500**	37,500

22 Capital commitments

The Group had no authorised capital commitments as at 31 December 2008 or 31 December 2007.

23 Directors' emoluments

	2008	2007
	£	£
The highest paid director	**131,184**	120,000
Other directors' emoluments (excluding pension contributions) were as follows:		
Emoluments for qualifying services	**30,000**	30,000
	30,000	30,000

24 Employees

Number of employees

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

	2008 Number	2007 Number
Administration	**8**	8
Sales	**4**	6
	12	14

Employment costs	2008 £	2007 £
Wages and salaries	**617,201**	656,279
Social security costs	**56,768**	60,202
Other pension costs	**9,283**	6,721
	683,252	723,202

25 Related party transactions

Group

ECO Animal Health Group plc has an accounting management agreement with the Group for which it receives £39,504 per annum (2007: £37,500). 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 £86,604 (2007: £139,958). Peter Lawrence, Chairman of ECO Animal Health Group plc, is also a non executive director of the Company and £20,167 (2007: £20,000) 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 (2007: £5,000) in respect of services provided by him.

26 Notifiable sales for the purposes of the Agricultural Industries Confederation

The UK sales of animal feed additives for the year ended 31 December 2008, for the purposes of A.I.C. were £293,012 (2007: £246,458).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of KIOTECH INTERNATIONAL plc (the "Company") will be held at the offices of JMFinn Capital Markets, 4 Coleman Street, London EC2R 5TA at 10.30 a.m. on 23 June 2009 at which the following resolutions will be proposed, in the case of resolutions 1 to 4 and resolution 9 as ordinary resolutions and in the case of resolutions 5 to 8 as special resolutions:

As Ordinary Business:

1. To receive the report of the directors and the Group financial statements for the 12 months ended 31 December 2008, together with the report of the auditors.
2. To re-appoint Richard S Rose as a director of the Company who retires by rotation pursuant to the Company's Articles of Association.
3. To re-appoint FW Stephens as auditors to the Company until the conclusion of the next Annual General Meeting and to authorise the directors to determine their remuneration.

As Special Business:

4. THAT the Directors be and they are hereby generally and unconditionally authorised (in substitution for any existing such powers which are hereby revoked) in accordance with the Company's Articles of Association and pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning given in Section 80(2) of the Act) up to an aggregate nominal value of £828,560 provided that this authority shall expire twelve months from the date of this resolution or at the Company's next Annual General Meeting if earlier and that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this resolution the expression "relevant securities" and references to the allotment of relevant securities shall bear the same respective meanings as in section 80 of the Act.
5. THAT (subject to the passing of Resolution 4 above) the Directors be and they are hereby empowered (in substitution for any existing powers which are hereby revoked) pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority given pursuant to Resolution 4 above as if subsection (1) of section 89 of the Act 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 such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements 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 sub-paragraph (a) above up to an aggregate nominal amount of £502,158.

   and shall expire twelve months from the passing of this resolution or at the Company's next Annual General Meeting if earlier, save that the Company may, before such expiry make an offer or arrangement requiring equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or arrangement as if the authority conferred had not expired.
6. THAT the Company be generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) on the AIM Market of the London Stock Exchange of ordinary shares of £0.01 each in the capital of the Company ("ordinary shares") to be held in treasury provided that:

   (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 25,107,870 ordinary shares representing 10 per cent of the Company's issued ordinary share capital;

   (b) the minimum price which may be paid for such shares is £0.01 per ordinary share;

   (c) the maximum price per share (exclusive of expenses) which may be paid for such ordinary shares shall not be more than 5 per cent above the middle market quotation for an ordinary share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which ordinary shares are purchased;

   (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or 12 months from the date of this resolution (whichever is earlier); and

   (e) the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.
7. THAT, with effect from 00:01 hours on 1 October 2009, the Company's Articles of Association be amended by deleting the words "and an extraordinary general meeting for the passing of a special resolution" from the first sentence of the existing Article 60.
8. THAT the Articles of Association of the Company be and they are hereby amended by the addition of new Articles 123A, B, C and D as follows:

   "123A If there is a situation (a "Relevant Situation") in which a director is or may be either at the time or at some time in the future (or a person who if he was to be appointed as a director of the Company would or might be either at the time or at some time in the future) in breach of his duty under section 175 of the Companies Act 2006 to avoid conflicts of interest (but for any authorisation of the relevant matter(s) by the board of directors), the board of directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may authorise the matter or matters on such terms as it may determine, including terms regulating the continuing performance by the relevant director of his duties as a director of the Company. Any authorisation of a matter pursuant to this Article shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised. It is the responsibility of the director who is or may be in breach or the other person who would or might be in breach of his duty under section 175 of the Companies Act 2006 to raise the matter(s) for consideration by the board of directors. Any terms determined by the board of directors under this Article 123A may be imposed at the time of authorisation or may be imposed or varied subsequently and may be terminated by the board of directors at any time, and may include (without limitation):

(a) subject always to these Articles, whether the relevant director(s) may vote (or be counted in the quorum at a meeting) in respect of any resolution connected with or relating to the relevant matter(s);

(b) that relevant director(s) should not receive from the Company information or participate in discussion (by the board of directors or otherwise) within the Company connected with or relating to the relevant matter(s); and

(c) (without prejudice to any other obligations of confidentiality) the application to the relevant director(s) of a strict duty of confidentiality to the Company in respect of any confidential information of the Company or any member of the Group connected with or relating to the relevant matter(s).

123B Except as specified in Article 123A, any proposal made to the board of directors and any authorisation by it in relation to a Relevant Situation shall be dealt with in the same way as any other matter may be proposed to and resolved upon by the board of directors.

123C Any authorisation of a Relevant Situation given by the board of directors under Article 123A may provide that, where the relevant director obtains (other than through his position as a director or employee of the Company or any member of the Group) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence or of his duty under section 175 of the Companies Act 2006 to avoid conflicts of interest.

123D A director, by reason of his holding office as a director (or of the fiduciary relationship established by holding that office), shall not be liable to account to the Company for any remuneration, profit or other benefit connected with or resulting from any matter authorised under Article 123A and no contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of any matter authorised under Article 123A."

9. The Company may and is hereby authorised (subject to and in accordance with the Companies Act 2006) to use electronic communications and in particular may send, convey or supply any notice document or information to members by making them available on the Company's website to members who do not elect to receive them electronically or in hard copy, and this resolution will supersede any provision in the Company's Articles of Association to the extent that it is inconsistent with this resolution.

By Order of the Board

Julia Trouse
Secretary
New Malden

19 May 2009

Notes:

1. A shareholder entitled to attend the Annual General Meeting may appoint a proxy to attend and, on a poll, to vote instead of that shareholder. A proxy need not be a shareholder of the Company. To be effective, the relevant proxy form must be completed and lodged with the Company's registrar no later than 48 hours before the meeting. Completion and return of the relevant proxy form enclosed herewith will not prevent a shareholder from attending and voting in person.

2. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy system may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (Insert name and CREST participant ID Number of Company's Registrars) no later than 48 hours before the meeting. For the purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitation will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes(s)) such action as shall be necessary to ensure that a message is transmitted by means or the CREST system by a particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that, in order to attend and vote at the Annual General Meeting (and for the purposes of calculating how many votes a person entitled to vote may cast), a person must be entered on the register of shareholdings by 10.30 a.m. on 21 June 2009. Changes to the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Copies of the service arrangements of the Directors will be available for inspection at the Company's registered office during normal business hours on any week day (but not at weekends or on public holidays) up to and including the date of the Annual General Meeting. Copies of all the above mentioned documents will also be available on the date of the Annual General Meeting at the place of the meeting for 15 minutes prior to the meeting until its conclusion.

Form of proxy — Kiotech International plc

For use at the Annual General Meeting

I/We ....

(Please complete in BLOCK CAPITALS)

being (a) Member(s) of the above-named company, owning .... shares, HEREBY APPOINT ....

.... of ....

failing whom the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf on any resolution proposed at the Annual General Meeting of the Company to be held on 23 June 2009 and in particular to vote on the resolutions to be proposed thereat in the manner indicated below.

(Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given then proxy will vote or abstain at his discretion.)

RESOLUTIONS	For	Against	At Discretion
1. Ordinary Resolution to receive the directors' report and the accounts of the Group, together with the auditors' report on those accounts			
2. Ordinary Resolution to re-elect Richard Rose who retires by rotation pursuant to the Company's Articles of Association.			
3. Ordinary Resolution to re-appoint FW Stephens as auditors of the Company and to authorise the directors to determine their remuneration.			
4. Ordinary Resolution to grant the board the authority to allot relevant securities.			
5. Special Resolution to dis-apply statutory pre-emption rights.			
6. Special Resolution to authorise market purchases of the Company's shares into treasury.			
7. Special Resolution to amend the Company's Articles of Association to reduce the notice required for extraordinary general meetings at which a special resolution is to be proposed from 21 days to 14 days with effect from 1 October 2009.			
8. Special Resolution to empower the directors to authorise conflicts of interest in accordance with section 175 of the Companies Act 2006.			
9 Ordinary Resolution to authorise the Company to use electronic communications including with shareholders.			

Date .... Signature ....

Notes:

1. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy. You can only appoint a proxy using the procedures set out in these notes.
2. If you wish to appoint a proxy other that the Chairman of the meeting, please insert the name and address of your proxy (who need not be a member of the Company). The proxy appointed by you can exercise all or any of your rights to attend, speak and vote at a general meeting of the Company.
3. To be effective, this form of proxy, duly executed together with the power of attorney or authority (if any) under which it is signed (or a notarially certified or office copy thereof) must be lodged at the Company's Registered Office at 78 Coombe Road, New Malden, Surrey, KT3 4QS not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.
4. In the case of a corporation, this form of proxy must be executed under seal or under the hand of a duly authorised officer of the corporation or attorney duly authorised in writing.
5. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members in respect of the joint holdings.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy system may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. (See the notes to the notice of meeting for further information on proxy appointment through CREST.)
7. If this proxy is returned duly signed but without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes and whether or not he abstains from voting.
8. Any alterations made to this form of proxy should be initialled.
9. Appointment of a proxy will not preclude a member from attending and voting in person should he subsequently decide to do so. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

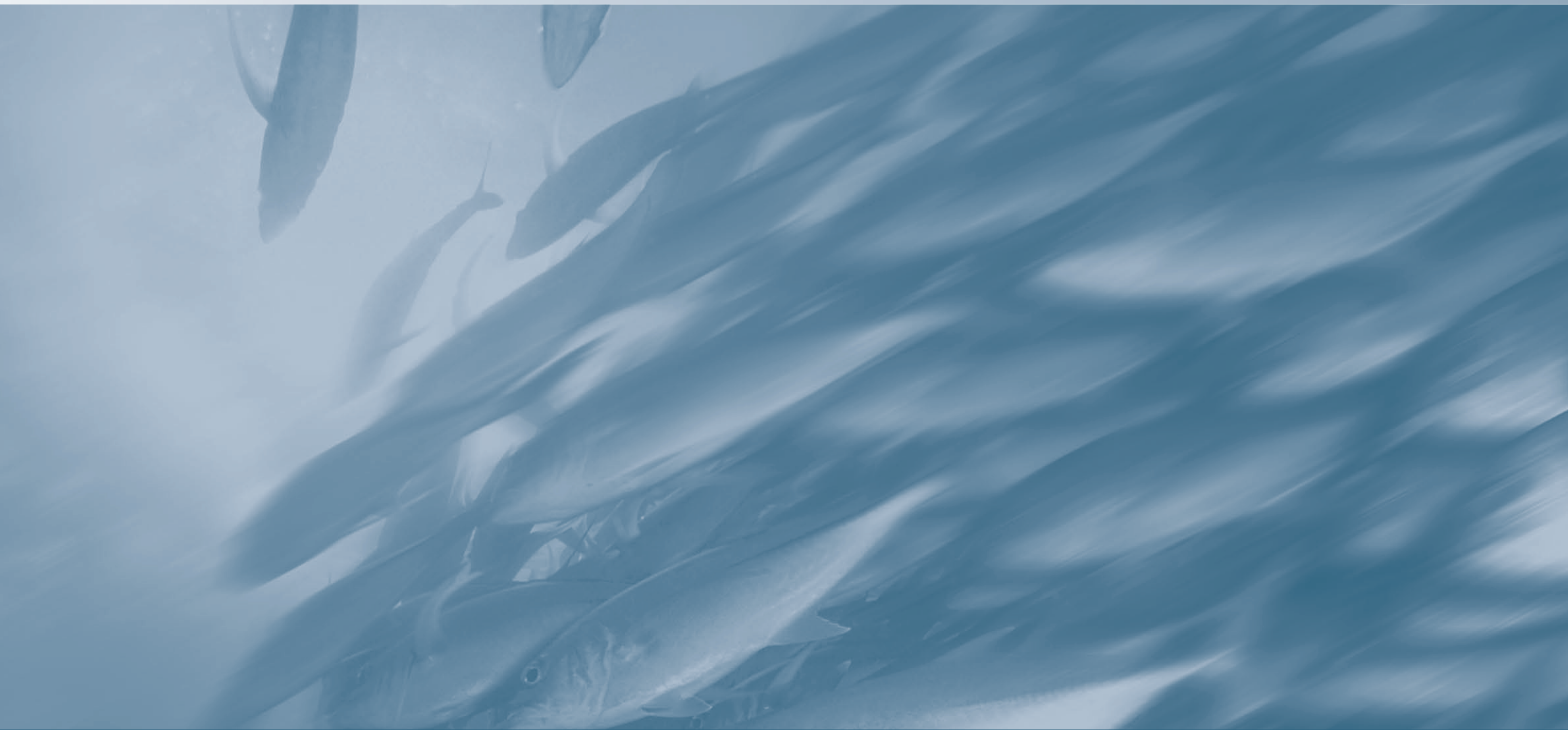
Second fold

AFFIX
STAMP
HERE

Kiotech International plc
78 Coombe Road
NEW MALDEN
Surrey
KT3 4QS

First fold

Third fold
and tuck in flap opposite



kiotechagil

Performance in **aquaculture**&**agriculture**