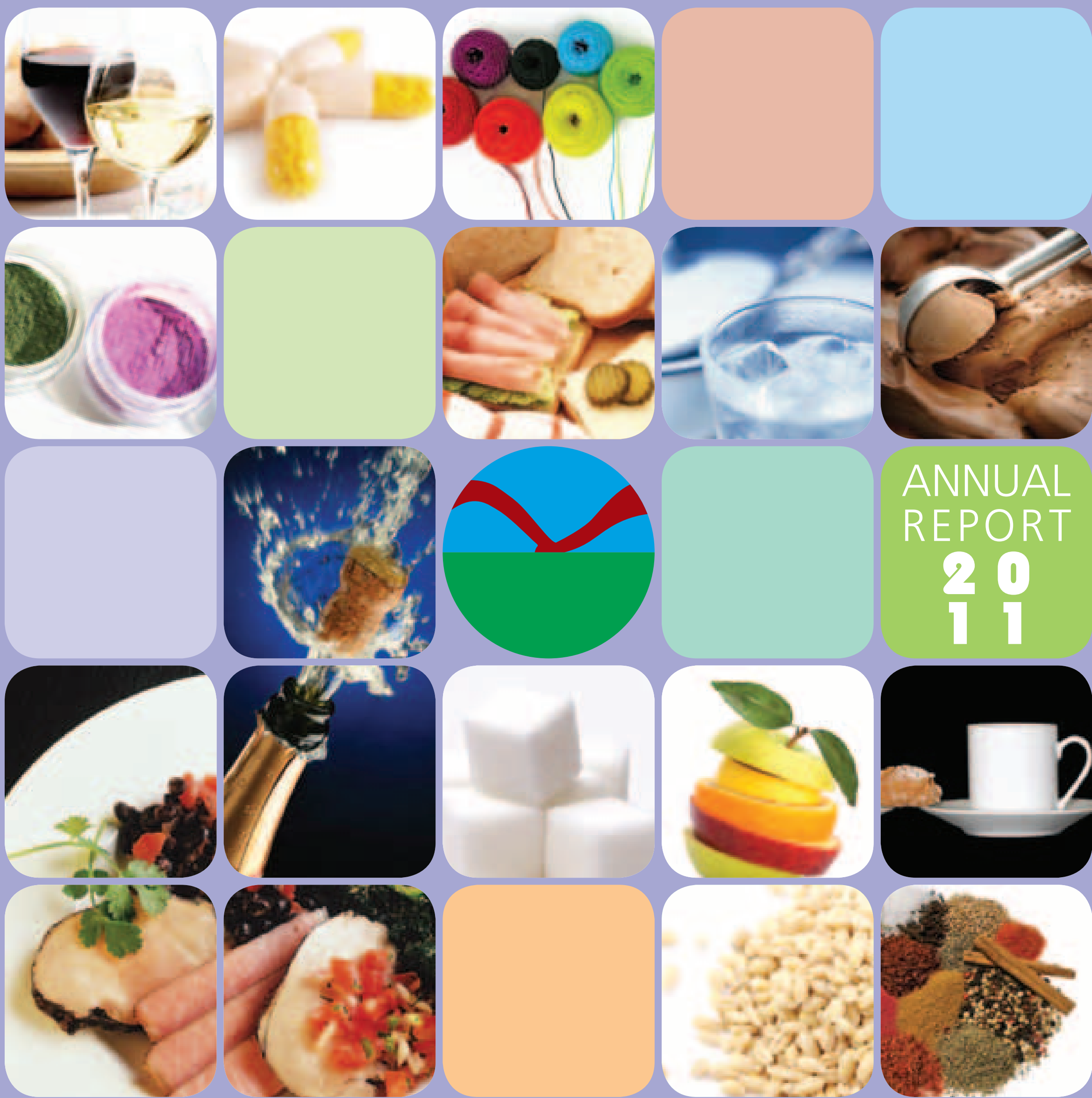
Sorbic International Plc



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Highlights
of the Year

for the year ended 30 September 2011

SUMMARY

- Revenue for the year increase by 21.5% to £14.7 million (2010: £12.1 million)
- Profit before tax and after exchange differences of £0.3 million (2010: £0.6 million)
- Net profit after tax and exchange differences of £0.9 million (2010: £0.8 million)
- Cash balances at 30 September 2011 of £3.5 million (2010: £5.7 million)
- Gross profit margin for the year of 10.2% (2010: 18.5%)
- Basic earnings per share of 0.36 pence (2010: 1.04 pence)
- The majority of the construction work at the new Inner Mongolia facility, which will double the Group's production capacity to 15,000 tonnes per annum, has now been completed
- The potassium sorbate machinery and equipment has been installed and full production for this line planned for spring 2012
- The sorbic acid line will resume installation in spring 2012 and is expected to commence full production in summer 2012

John Mclean, Non-Executive Chairman of Sorbic International, commented: "This year has been a period of significant development for the Group, with construction at the new facility in Inner Mongolia now largely complete. Despite challenges in the wider economy, Sorbic has made good progress and continues to manage raw material prices where possible.

The Company is poised to become more sales oriented and expand its market share in China as part of the strategy to build sustainable long-term growth. With the new facility now close to commencing full production, the Group will soon be in a position to capitalise on the significantly increased capacity."

www.sorbicinternational.com

Directors, Secretary
and Advisers

Directors

John Nigel Major McLean
Non-executive Chairman

Wang Yan Ting
President & Chief Executive Officer

Nicholas Michael Norman Smith
Non-executive Director

Ray Ang Wee Boon
Non-executive Director
(resigned on 31 October 2011)

Ng Shin Ju Ryan
Chief Financial Officer

Audit Committee

John Nigel Major McLean
Chairman

Nicholas Michael Norman Smith

Remuneration Committee

Nicholas Michael Norman Smith
Chairman

Wang Yan Ting

Ray Ang Wee Boon
(resigned on 31 October 2011)

Company Secretary

Nigel Cartwright

Company Number

06280431

Registered Office

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London
SW1A 2BX

Nominated Adviser and Broker

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60 New Broad St
London
EC2M 1JJ

Registrars

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PO Box 82
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Auditor

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St Bride's House
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London
EC4Y 8EH

Legal Advisers

Fasken Martineau LLP
17 Hanover Square
London
W1S 1HU

Stephenson Harwood, Singapore
1 Raffles Place
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Public Relations Advisers

Abchurch Communications Limited
125 Old Broad Street
London
EC2N 1AR

Chairman's Statement

INTRODUCTION

2011 proved to be an exciting yet challenging year for the Group.

I am pleased to say that the Group has remained focused and has continued with its expansion in Inner Mongolia where cheaper resources will improve margins and give Sorbic a competitive edge. The project has now entered the final phase of its development with the soft launch of the Group's sorbate line having taken place on 4 November 2011.

The results for year ended 30 September 2011 show significantly improved revenue of £14.7 million (2010: £12.1 million), although profit before tax was lower at £0.3 million (2010: £0.6 million) and profit after tax and exchange differences of £0.9 million (2010: £0.8 million). The Group achieved earnings per share of 0.36 pence (2010: 1.04 pence).

Gross margin decreased from 18.5% to 10.2% due to the rising costs of raw materials. The Group has made a conscious effort to reduce the number of long-term contracts for the current year to less than 40% of total sales in order to provide a degree of flexibility for price adjustment. Although raw material price inflation was factored in during pricing negotiations, the inflationary impact was much higher than anticipated. China's consumer price index ("CPI"), the main gauge of inflation, rose 4.2% year-on-year in November 2011 according to data released by the National Bureau of Statistics ("NBS"). Though still high, the figure marked the slowest surge from July's three-year peak of 6.5%. The Company's average gross margin dropped significantly below 10% during the second quarter of the financial year (January-March 2011). The Company was only able to raise prices slightly and therefore passed some of the increased costs to customers not on long-term contracts. Accordingly, price increases were not achieved at the same rate as the cost increases with a consequent reduction margins. The Company faces resistance from customers to move from long-term contracts, but will over time look to reduce the proportion of such contracts.

Despite the Group's capital commitment for the facility in Inner Mongolia being affected by rising steel and construction costs, the Company's decision to locate to Inner Mongolia has been reaffirmed by the ready availability of low cost resources; the cost of coal and electricity are halved, and water is free, and these cost savings are expected to improve both production efficiency and margins.

The Chinese Yuan has appreciated by more than 27.5% since 2005 or approximately 4.5% per annum. The market's expectation for the Chinese Yuan appreciation in 2011 is between 4.5 and 5.5% and will continue to follow a gradual pace going forward. Its appreciation has benefited the Group's China investment in sterling value.

The Group is now well positioned to increase the scale of its production. This will broaden Sorbic's competitive position as the Company is poised to become more sales oriented and expand its market share in China as part of the strategy to build sustainable long-term growth.

2012 ECONOMIC OUTLOOK AND THE DOMESTIC CHINESE MARKET

Despite the possibility that the Chinese economic growth rate may continue to slow down in 2012, it is still projected to deliver an impressive 8% growth rate (source: Marketwatch). Rising disposable income and urbanisation will continue to drive the Chinese economy in the foreseeable future. The food processing industry will benefit from these factors. Between 2001 and 2006 the industry grew at a compound annual growth rate of 20% to reach approximately US$288 billion. (source: New Zealand China Trade Association "NZCTA") As consumers increasingly value the convenience and variety of processed foods, the industry is expected to continue to expand. Currently only approximately 30% of food in China is processed, compared to 60-80% in Western countries. (source: NZCTA) The current level of adoption suggests significant room for growth in the domestic market, especially in urban areas.

In addition, recent food safety scandals have drawn unwanted international attention and have become a growing public concern in China. In the latest four-month campaign, government investigators have inspected nearly six million food and additive producers and the authorities have arrested

Chairman's
Statement

more than 2,000 people and closed down 5,000 businesses since concerns over the use of harmful ingredients peaked in the spring of 2011. The latest enforcement campaign shows the seriousness with which the Chinese government takes the country's food safety concerns.

Government intervention will continue to play a large role in the short-term, by forcing domestic firms to comply with new improved standards. In the long-term, as consumers become more aware and are less willing to accept substandard quality, producers will in turn increasingly invest in better practices and products to ensure quality, thus generating new opportunities for the Group's products.

NEW PRODUCTION LINES – INNER MONGOLIA

Construction of the new plant in Ulanqab City, Inner Mongolia, which will double the Group's production capacity to 15,000 tonnes per annum, is on schedule and is expected to be fully operational by summer 2012. Once they are operating at full capacity, the two new lines have capacity of £38 million at current prices and at higher margins than the existing facilities.

The stable power supply at the Inner Mongolia facility will be a significant factor for the future growth of the Company given the challenges that have been faced due to the power outages experienced at the Linyi factory over recent years that have impacted on production. The additional land available in Inner Mongolia for future expansion will also be of great importance going forward.

The Board expects the financial benefit of the two new lines to be fully reflective by FY 2013.

THE BOARD

As announced on 31 October 2011, Ray Ang stepped down as a Non-Executive Director of Sorbic International due other work and travel commitments. However, his experience will still be available to the Company as a consultant to Sorbic International. The Board joins me in thanking Ray for his valuable contributions to the Group over the last three years.

The Group is seeking to recruit another Non-Executive Director who will bring the appropriate skills and industry experience to the Board.

OPERATIONAL OUTLOOK FOR 2012

With the soft opening ceremony at the new facility held earlier this month, the next phase of development for the Group will be for the potassium sorbate line to become operational in spring 2012 and to complete the installation of the sorbic acid line in time for production to commence in summer 2012.

In anticipation of the expanded production capacity next year, the Group's sales team has been regularly engaging and updating existing and potential new clients on the development of the new facility in Inner Mongolia at recent trade fairs. The Board will continue to monitor and manage the speed at which the facility operates depending on the availability of capital. With the ongoing global economic uncertainty, the main challenge for FY 2012 will be to improve margin stability and market share in existing markets, while building up relationships with domestic and Asian clients where demand is growing.

A fall in commodity prices due to slow world economic growth is expected to help stabilise China's inflation to within 4% for 2012 (source: Marketwatch) and ease inflationary pressure on the Company's raw material prices.

The Board would like to thank the management and the employees for their hard work and continued dedication to the Group. On completion of the new facility, Sorbic will be well placed to benefit from further growth in the demand for food additives, both internationally and from an increasingly important domestic market.

John McLean
Chairman

23 February 2012

Board Of Directors

John McLean (Non Executive Chairman)

John McLean, aged 59, is a director of Albany Capital, which he co-founded to invest in Chinese and other investments. He is the Non-executive Chairman of China Food Company plc, the 9th largest manufacturer and seller of soya sauce in China and is also Non-executive Chairman of Sorbic International Plc, the leading Chinese sorbate producer and distributor and a non-executive director of a private equity fund. In 2007 he joined the board of Humberts plc, the estate agent, and became its Executive Chairman to lead its rescue and ultimate disposal. Prior to this, he carried out a strategic review for Gamma Holdings NV of their UK interests, including Sanderson, the textile and wallpaper company, and as its UK group managing director successfully implemented the turnaround and disposal plan. Sanderson was a global company, which was brand and design, led and had operations in America, Asia and China. In the nineties, he was Finance Director and then General Manager of ICS, the UK logistics and overnight courier business and co-led a management buy-out of the company with 3i, prior to its successful disposal to Hays plc. John is a Chartered Accountant and was previously with Coopers & Lybrand in both London and New York.

Wang Yan Ting (President and Chief Executive Officer)

Wang Yan Ting, aged 46, is the Chairman, Chief Executive Officer and founder of LVST, and is responsible for implementing its strategy and direction. Mr. Wang has more than 20 years of business development experience and nearly eight years experience in the food preservatives industry. Notably, Mr. Wang spent a number of years as general manager of Linyi Zhongqiao Property Development Limited, a Chinese property developer. Thereafter, he was appointed managing director of Linyi Huasheng Trading Limited, a Chinese company principally involved in the manufacture of chemicals and plastics. Mr. Wang also served in the police force for four years.

Nicholas Smith (Non-executive Director)

Nicholas Smith, aged 60, trained as an accountant with Ernst and Young. He joined the Jardine Fleming Group in Hong Kong in 1986 serving, at various times, as co-head of Investment Banking, finance director and member of the executive committee. He became a director of Robert Fleming International in 1998 and director of Origination, Investment Banking. He currently serves as Chairman of Ophir Energy plc, and non-executive director of Asian Citrus Holdings Ltd, PLUS Markets Group plc and Schroder Asia Pacific Fund.

Ray, Ang Wee Boon (Non-executive Director- resigned on 31 October 2011)

Ray Ang, aged 40, was the Senior Vice President of Hermes Capital Limited; a Hong Kong based company involved in securities, corporate finance advisory and other related services. Mr. Ang started his career in finance with Hong Kong Shanghai Banking Corporation. With more than 15 years of experience in personal and corporate finance, he works from offices in Singapore, Hong Kong and Mainland China. He holds a Master's degree in Business Administration from Macquarie University, Sydney, Australia.

Ng Shin Ju Ryan (Chief Finance Officer)

Ryan Ng, aged 36, is a member of the Association of Chartered Certified Accountant (ACCA) and a Certified Public Accountant (CPA) of Singapore. He started his career with KPMG and has over 10 years of experience in commercial finance, audit, consultancy and advisory services for a range of companies including public listed companies, financial institutions and multinational companies. He was the CFO of Hong Kong based Zumera Group of companies, a lifestyle and entertainment group with presences in Hong Kong, Shanghai and Beijing before joining Sorbic International. He holds a BS (Hons) in Applied Accounting and a BA in Psychology and Japanese Studies.

Directors' Report

The Directors are pleased to present their report to the members together with the audited financial statements of Sorbic International Plc (the "Company" or "Sorbic International") and its subsidiaries (the "Group") for the year ended 30 September 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture and distribution of food preservatives, namely Sorbic Acid and Potassium Sorbate through its subsidiaries in the People's Republic of China (the "PRC") as set out in note 2.5.2.

The results of the Group are set out in detail on page 20.

BUSINESS REVIEW

A review of the business and future developments was given in the Chairman's Statement.

FINANCIAL REVIEW

Other than explained below performance for the year ended 30 September 2011 was broadly in line with expectation and a comparison to the year ended 30 September 2010 is summarised below.

	30 September 2011	30 September 2010	Percentage Change
Revenue	£14.74m	£12.05m	22.8%
Profit from operations	£0.013m	£0.78m	-98.3%
Profit before taxation	£0.27m	£0.60m	-109.3%
Total comprehensive income net of tax* Cash and	£0.92m	£0.81m	13.0%
cash equivalents	£3.52m	£5.66m	-37.8%
Net assets	£15.89m	£13.88m	14.5%
Earnings per share – basic	0.36p	1.04p	-65.4%
Earnings per share – diluted	0.28p	0.90p	-68.8%

* Includes exchange gain of £789K (FY2010: £464K)

KEY PERFORMANCE INDICATORS ("KPIs")

The Directors have identified revenue, margins and working capital as major KPIs of the Group. The Group's performance through the year is reflected in our Key Performance Indicator.

During the year, the Directors placed much importance on the progress of the Inner Mongolia project. The soft launch of the Sorbate line represents a key milestone in our expansion plans.

Revenue

The Group's revenue for the year ended 30 September 2011 was £14.7 million (2010: £12.05 million), representing an increase of 22.8%. In local currency terms, there was an increase of 21.0%. The average GBP: RMB exchange rate for 2011 was 10.4954 (2010:10.6035).

Directors' Report

Margins

Gross margin and net profit margin are used to measure the Group's financial performance. The Group's gross profit for FY2011 was £1.5 million (2010: £2.2 million), representing a gross profit margin of 10.2% (2010: 18.5%). The decrease in gross margin is mainly due to rising costs of raw material. Crotonaldehyde, which accounts for 40% to 45% of input cost, is derived from aldo condensation of acetaldehyde, which in turn is influence by oil prices. Sustained input commodity price pressure and fixed term price agreements with major customers have resulted in a significant fall in margins. In the short term, the Group's profitability is likely to be impacted by weaknesses in the wider economy, but expects the cost savings from the new Inner Mongolia site to improve margins.

Working Capital

Working capital is managed through closely monitoring the revenue of the constituent parts measured as a comparison of inventory days, accounts receivable days and accounts payable days. In FY2011 and FY 2010, the respective days were as follows:

	2011	**2010**
Inventory	14	7
Accounts receivable	34	47
Accounts payable	7	13

There are no outstanding accounts receivables overdue at the year-end. All existing and new customers' creditworthiness are closely scrutinised during this period of uncertainty. FY2011 inventory turnover days are more reflective of normal cycle unlike FY2010's turnover days that was halved as customers' demand outstriped supplies due to production stoppages.

Group Statement of Comprehensive Income

Revenue for the year ended 30 September 2011 reached £14.74m compared with the year ended 2010 results of £12.05m. At a gross margin of 10.2% (2010: 18.5%), the Group managed to break-even with £0.01 million at operating level (2010: £0.78 million). However, net profit for the year decreased by 96.5% to £0.13 million (2010: £0.35 million) after taking into account a £0.3 million unrealised exchange gain due to appreciating RMB to GBP. A review of 2011 financial performance is given in the Chairman statement.

Group Statement of Financial Position

As at 30 September 2011, the Group's net assets stood at £15.89 million (30 September 2010: £13.88 million). The increase in net assets was partly due to the appreciation of the RMB against the GBP at 30 September 2011. The year-end GBP: RMB exchange rate was 9.9502 (30 September 2010: 10.6193)

As at 30 September 2011, the Group held cash balance of £3.52 million (2010: £5.66 million). The decrease in cash balance was mainly due to capital investment in the new Inner Mongolia plant during the year. Capital expenditure for the year was partially financed by existing cash balance and proceeds from the convertible loan notes.

The Group raised net proceeds of £1.46 million through the issue of £0.56 million convertible loan notes B and 5,175,000 new ordinary shares at 20 pence each to new investor during the year.

Directors' Report

RISKS AFFECTING THE GROUP

General economic climate

The general economic climate is volatile and is affected by numerous factors which are beyond the Group's control and which may affect its operations, business and profitability. These factors include the supply and demand of capital, growth in gross domestic product, employment trends and industrial disruption, international economic trends, currency exchange rate fluctuations, the level of interest rates and the rate of inflation, global or regional political events and international events, as well as a range of other market forces, all of which have an impact on demand and business costs. The Board monitors the situation and takes actions as required.

Fluctuations in raw material prices

A significant percentage of the raw material used in sorbates production are dependent on petroleum. The prices of raw material like crotonaldehyde and acetic acid may fluctuate due to changes in the petroleum supply and demand conditions. Any shortage in the supply or upsurge in demand may lead to an increase in prices, which may adversely affect the Group's profitability. While the Group will seek to mitigate the impact by passing on all or at least part of the cost increase to customers, this may not always be possible.

Competition

The Group operates in a competitive market. In particular, some competitors may have access to greater financial resources and technical facilities than the Group, which may give them a competitive advantage. Due to the economic climate, competitors may also reduce prices, which may affect the Group's margins. The Board and management meet regularly to review and discuss the Group's strategy in relation to market situation.

Dependence on key executives and personnel

The future performance of the Group will depend on its ability to retain the services and personal connections or contacts of key executives and to recruit, motivate and retain other suitably skilled, qualified and experienced personnel. Such key executives are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and the Group's existing customers, distributors and suppliers. The Group aims to mitigate this risk by in-house staff development while giving them clear objectives and career paths.

Dependence on licences, registrations, certifications and accreditations

Operations of the Group are dependent on various licences, registrations, certifications and accreditations. The Directors are not aware of any occasion where the Group has been unable to renew its licences or registrations, or had its certifications or accreditations revoked.

Failure to meet health & safety, hygiene, environmental and other regulatory standards and approvals

The Group's businesses are subject to annual inspections and periodic checks by the relevant authorities in the People's Republic of China ("PRC") to ensure that their activities comply with applicable health and safety, hygiene and other environmental standards. In the event that they fail to pass such inspections or checks or otherwise fail to comply with and meet the requisite standards, the relevant authorities may require them to suspend their operations temporarily until such time as they are able to meet the requisite standards or may impose penalties and fines on them for the breach or may even withdraw or suspend their licences or permits or otherwise restrict or prohibit them from continuing their operations, all of which may have an adverse effect on the business and operations, financial results or financial position of the Group.

Directors' Report

Foreign exchange risks

The Group's dominant transactional currency is RMB, including the cost of materials. However, the Group's overseas sales are denominated in USD. Any future significant fluctuations in USD: RMB exchange rates may expose the Group's trade receivables to exchange losses.

Exposure to environmental liability

The PRC national and provincial environmental protection rules and regulations impose certain fees for the discharge of waste material and penalties or fines for environmental pollution. These rules and regulations also grant the relevant environmental regulatory bodies the power to order the closure of any facility, which causes serious environmental problems. Although the production processes carried on at the Group's facilities in the PRC do not discharge large amounts of pollutants into the environment, there is no guarantee that new requirements promulgated by the relevant authorities in the PRC will not disrupt the Group's production or require the Group to incur additional expenses in relation to environmental protection.

Future funding requirements

The Group has been investing much of its fund in the Inner Mongolia new facility. Further funding is required to complete and for working capital when it turns operational. The Group is in discussion with banks to secure additional banking facilities. In the event the Group has to draw further on internal funds and other sources, this may reduce a significant proportion of the Group's free cashflow.

Financial risk management

The Board reviews and agrees policies for managing financial risks. The financial risk management objectives and policies of the Group are set out in note 26 to the financial statements.

SHARE CAPITAL

Details of the movement in the Company's share capital are set out in note 21 to the financial statements.

DIVIDENDS

The directors do not recommend payment of a dividend in respect of the period ended 30 September 2011.

DIRECTORS

The following directors served the Company during the period:

John Nigel Major McLean	(Non-executive Chairman)
Wang Yan Ting	(President and Chief Executive Officer)
Nicholas Michael Norman Smith	(Non-executive Director)
Ray Ang Wee Boon	(Non-executive Director – resigned on 31 October 2011)
Ng Shin Ju Ryan	(Chief Financial Officer)

None of the directors has had a material interest in a contract or arrangement of significance to which the Company or any of its subsidiaries was a party during the year except for those disclosed in note 23.

Directors' Report

EMPLOYEES

The Board recognises that the Group's employees are its most important asset. Employees are encouraged to train and develop their careers.

The Board maintains good working relations with employees by the use of clear channels of communication. The responsibility for communication with the workforce rests with the managers through formal and informal meetings.

The Group is committed to achieving equal opportunities and to complying with anti-discrimination legislation.

DISABLED EMPLOYEES

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, whenever possible, for re-training employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and ability.

ENVIRONMENTAL POLICY

The Group is committed to operating in an environmentally responsible manner and endeavours to adopt the best practicable means to reduce or eliminate polluting releases to the environment or in the disposal of waste products. The Group is committed to complying with environmental legislative requirements.

CREDITOR PAYMENT POLICY

It is the Group's policy that payments to suppliers are made in accordance with all relevant terms and conditions. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services. At the balance sheet date, there were 7 (2010: 13) days' purchases outstanding, calculated on the ratio of average trade creditors to total cost of sales.

GENERAL MEETING

The next General Meeting will be held at the Company's legal adviser's office (Stephenson Harwood, 1 Finsbury Circus, London, EC2M 7SH) on Wednesday 28 March 2012.

SUBSTANTIAL SHAREHOLDING

The Company has been notified that the following shareholders' interests exceeded 3% of the Company's issued ordinary share capital at the date of this report:

Shareholder	Ordinary shares	Percentage of issued share capital
Prime Mega International Limited	20,160,000	52.27%
Albany Capital Group Limited	6,810,975	17.66%
Hermes Financial Group (BVI) Limited	2,222,222	5.76%
Jon Moulton	1,250,000	3.24%
Hargreave Hale	1,236,500	3.21%

Directors' Report

SHARE OPTIONS OUTSTANDING

As at 30 September 2011, Hermes Capital Limited and JM Finn Capital Markets Limited had been granted 400,000 and 200,000 share options respectively, pursuant to services provided as disclosed in note 22.3.

DONATIONS

The Group made no charitable or political donations during the period.

GOING CONCERN

The directors have reviewed forecast and budgets for the coming year, which have been drawn up with appropriate regard for the current economic environment and the particular circumstances in which the Group operates. These were prepared with reference to historical and current industry knowledge, taking into account future strategy of the Group.

The existing operations have been generating funds to meet short-term operating cash requirements. As a result of these considerations, at the time of approving the financials statements, the directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future. It is appropriate to adopt the going concern basis in the preparation of the financial statements.

As described under "Fund Raisings and Post Balance Event", additional funds are required to enable the Group to complete and start operations at the new production facility in Ulanqab, Inner Mongolia. While the Group has secured short-term financing, these will need to be repaid and renegotiated within the next 12 months. The Group has commenced discussions with its Chinese bankers about an additional long-term facility and alternative funding sources; however, at this stage no commitment has been secured.

As highlighted on Note 24 to the financial statements, the existing convertible loan notes mature on the 26 February 2013. The repayment/conversion of the loan notes is dependent on the performance of the Group and hence the successful conclusion of the funding discussions and the completion of the plant in Inner Mongolia.

In approving the financial statements, the Board have recognised that the combination of these circumstances creates a level of uncertainty. However, having made enquiries and considered the uncertainties outlined above, the directors have a reasonable expectation that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future. Accordingly, the Board believes it is appropriate to adopt the going concern basis in the preparation of the financial statements.

As with all business forecasts, the directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about the future events.

FUND RAISINGS AND POST BALANCE EVENT

New funds were raised in the year through a further convertible loan notes and equity issues (net proceeds of £1. 46million), which enabled the Group to complete the potassium sorbate line at the new production facillity at Inner Mongolia.

Subsequent to the financial year ended 30 September 2011, the Group has secured short-term financing of RMB45 million to complete the new facility. The Company has raised £714,000 gross by the issuance of 6,491,051 shares at 11 pence each for working capital and to assist in the development of the business. The Group is in discussion with various parties to finance its expansion plan requirement for scaled production at the new facility expected to start in Spring/ Summer 2012.

Directors' Report

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 elected to prepare financial statements in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS") and applicable law. 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 company and of the profit and 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 and company will continue in business.

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

In so far as each director is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all steps that he might reasonably expected to have taken as a director in order to make himself aware of any relevant information needed by the auditor in connection with preparing their report and to establish that the auditor is aware of that information.

To the extent that financial information is made available on the Company's website, the directors confirm that they are responsible for the maintenance and integrity of that information. However, as the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements, the directors can give no undertaking that it meets all requirements in all countries in which it may be considered to be published.

AUDITOR

Crowe Clark Whitehill LLP has expressed their willingness to continue as auditor. A resolution to reappoint Crowe Clark Whitehill LLP as auditor of the Company will be proposed at the next Annual General Meeting.

By order of the Board

Chairman
John McLean
23 February 2012

Directors' Remuneration Report

The remuneration committee presents the Directors' remuneration report for the year ended 30 September 2011.

As Sorbic International plc (the "Company") is an AIM listed company, it is not required to present a Directors' Remuneration report. The Board has chosen to do so as a voluntary disclosure. The information presented meets the requirement of the changes to the AIM Rule 19, effective February 2010.

A Remuneration Committee comprising of one independent non-executive director, one non-executive director and one executive director was established to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

The purpose of the Remuneration Committee is to review the remuneration policy for the Directors and other senior management and to determine the level of remuneration package in order to attract, motivate and retain talent. The Remuneration Committee will consult with the Chairman of the Board and the Chief Executive Officer in respect of their recommendation in determining the remuneration of the Directors and senior management.

REMUNERATION POLICY

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the necessary calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Remuneration Committee. The remuneration of the Non-executive Directors is determined by the Board, and within the limits set out in the Articles of Association. Executive Directors are entitled to accept appointments outside the Company providing the Board's permission is sought.

The non-executive Directors remuneration is determined by the Board, having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual directors fulfill in respect of Board and Committee responsibilities and the time committed to the Company's affair.

The policy of the Board is to review the level of Directors' fees and remuneration from time to time. During the year ended 30 September 2011, the remuneration committee carried out a review of the level of directors' fees and remuneration, and decided that the annual fees should remain unchanged for the present.

TERMS OF APPOINTMENT

The Executive Directors have service contracts with the Company or subsidiary in addition to their appointment as directors of the Company. The Company's policy is that directors have contracts for an indefinite term, providing for a maximum of six months notice.

The terms of their appointment provide that at every annual general meeting one-third of the Directors are bound to retire and be subjected to reappointment by Shareholders. The terms also provided that the contract is to continue until termination by either party giving six months' notice or by resolution of the shareholders. There are no liquidated damages or other compensation payable by the Company upon early termination of the directors.

Directors' Remuneration Report

DIRECTORS' REMUNERATION DETAILS

	Salary	Benefits	Bonuses	Fees	Other	2011	2010
	£	£	£	£	£	£	£
John Nigel Major McLean	-	-	-	7,500	42,644	50,144	53,402
Nicholas Michael Norman Smith	-	-	-	30,000	3,137	33,137	33,107
Wang Yan Ting	114,336	-	-	10,000	540	124,876	123,602
Ray Ang Wee Boon	-	-	-	10,000	33,983	43,983	104,595
Ryan Ng Shin Ju	69,068	-	-	10,000	4,906	83,974	76,409

In the year under review no share options and incentive schemes have been granted to the Directors.

Other benefits paid to directors during the year relate to HM Revenue and Custom ("HMRC") national insurance for John Mclean and Nicholas Smith, Central Provident Fund (CPF) contributions for Ray Ang and Ryan Ng, and consultancy fees for John Mclean and Ray Ang.

The Group's principal Chinese subsidiary, LVST is required to participate in the employee pension schemes operated by the relevant local government authorities in the PRC. £540 was paid during the year for Wang Yan Ting. No other directors received pension payments.

DIRECTORS' INTEREST

The Directors' interest in the share capital of the Company at 30 September 2011 and at the date of this report are shown below:

	Ordinary shares held	
Director	**Direct**	**Deemed**
John Nigel Major McLean[1]	66,667	6,810,975
Nicholas Michael Norman Smith	30,000	-
Wang Yan Ting	-	-
Ray Ang Wee Boon[2]	-	20,160,000
Ryan Ng Shin Ju	-	-
	96,667	26,970,975

1 John McLean is a director and shareholder of Albany Capital Group Limited which holds 6,810,975 ordinary shares in the Company

2 Ray Ang Wee Boon is a director and shareholder of Prime Mega International Limited which holds 20,160,000 ordinary shares in the Company

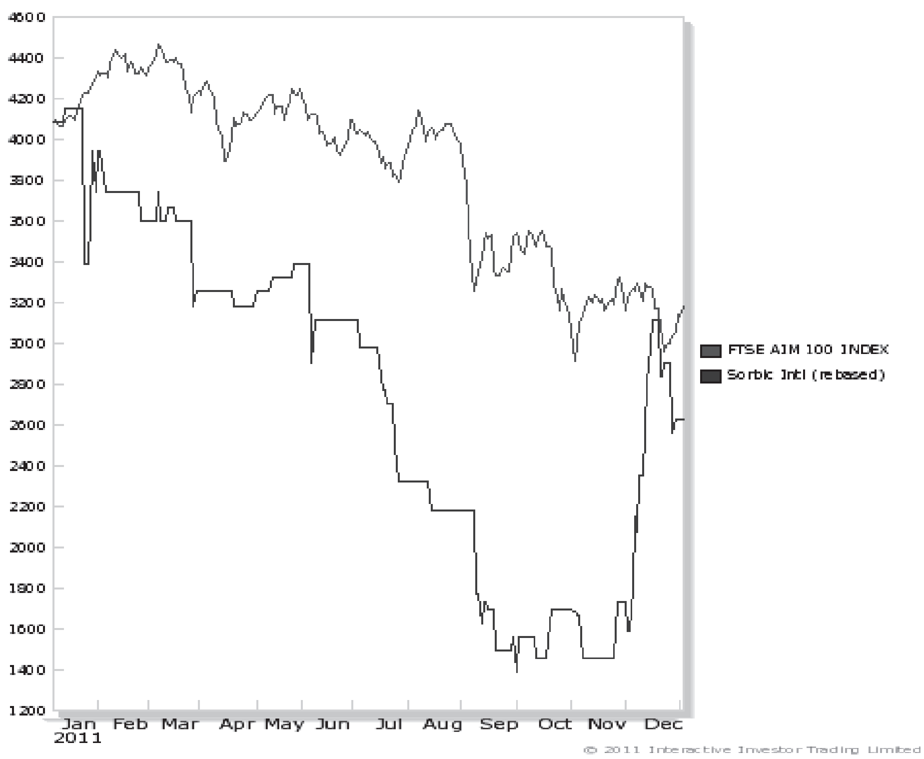
Directors' Remuneration Report

The Directors' interest in the convertible loan notes of the Company at 30 September 2011 and at the date of this report are shown below:

Director	Convertible loan notes A Direct £'000	Convertible loan notes A Deemed £'000	Convertible loan notes B Direct £'000	Convertible loan notes B Deemed £'000
John Nigel Major McLean[1]	-	-	40	550
Nicholas Michael Norman Smith	-	-	-	-
Wang Yan Ting	-	-	-	-
Ray Ang Wee Boon	-	-	-	-
Ryan Ng Shin Ju	-	-	-	-
	-	-	40	550

PERFORMANCE GRAPH

The following graph shows the Company's performance measured by total shareholder return (TSR) for the 12 months to 30 September 2011 compared with the performance of the FTSE AIM 100. TSR is the product of the share price plus reinvested dividends. (No dividend was declared during the year). The FTSE AIM 100 index has been selected for this comparison because it is the principal index in the market in which the Company's shares are quoted.



This report was approved by the board of directors on 23 February 2012 and signed on its behalf by:

John McLean
Chairman
23 February 2012

Corporate Governance

The Company is committed to observing good standards of corporate governance. In this report, we describe the Company's corporate governance processes and activities with reference to the principles of the Quoted Companies Alliance's Corporate Governance Guidelines.

The main features of the Company's corporate governance procedures are as follows:

THE BOARD

The Board comprises of John McLean (Chairman), Wang Yan Ting, Nicholas Smith, Ng Shin Ju Ryan and Ray Ang Wee Boon (resigned on 31 October 2011).

The Board meets regularly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. Additional meetings are convened to discuss matters that require urgent consideration. The Board has defined a schedule of matters specifically reserved for its decision and delegates certain powers to the Board committees and to the executive directors, collectively and individually.

The number of Board meetings and Board committee meeting held in the current financial year and the attendance of Directors at these meetings are as follows:

Attendance	Board	Audit Committee	Remuneration Committee
Number of meetings held	8	3	2
John McLean	8	3	N.A.
Nicholas Smith	6	3	2
Wang Yan Ting	4	N.A.	2
Ray Ang Wee Boon	5	N.A.	2
Ng Shin Ju Ryan	8	N.A.	N.A.

COMMITTEES OF THE BOARD

The Audit Committee, chaired by John McLean, meets at least twice a year with the Company's external auditor present. Its roles mainly include the review of the financial statements, internal controls and the scope and cost of the audit. The executive directors may also be invited to attend its meetings, where the Committee considers it to be appropriate.

The Remuneration Committee, chaired by Nicholas Smith, is responsible for making recommendations to the Board on remuneration policy for directors, including the setting of directors' salaries and incentive payments. The Committee is also in charge of recommending the granting of share options to employees.

RELATIONS WITH SHAREHOLDERS

The Board considers it important to communicate a balanced and understandable assessment of the Group's performance and prospects to all investors. The Board maintains frequent contact with institutional investors through regular meetings. The Board regarded the Annual General Meeting ("AGM") as an important opportunity to meet and communicate with individual shareholders. Shareholders are given ample time and opportunity at the company's AGM to express their views and put forward their questions to directors or management concerning the Group. The Board welcomes the views of all shareholders, and other stakeholders, which in the first instance should be communicated to the Chairman.

Corporate Governance

INTERNAL CONTROL

The Board is ultimately responsible for the Group's system of internal controls, including financial, operational, compliance control and risk management, and for reviewing and monitoring its effectiveness. The system of internal controls is designed to manage and minimise risk, rather than eliminate it. In pursuing these objectives, internal controls can only provide a reasonable and not absolute assurance against material misstatements or loss.

The Group's system of internal control is designed to assist its business objectives, safeguard the group's assets, ensure compliance with regulation and provide reliable financial information. Regular management meetings review all aspects of the Group's business including any inherent or identified risks. Executive management review the significant risks affecting the business and the policies and procedures by which these risks are managed.

The Board has engaged an external party to provide internal audit services who conduct an annual independent review. The internal auditor's plans are reviewed by and discussed with the Chairman of the Audit Committee. Through this process, risks are identified and assessed according to their potential impact and likelihood of occurrence and appropriate actions are assigned.

There are established procedures for budgeting and planning capital expenditure, together with the reporting systems for monitoring the Group's business and performance. There is a rolling three month forecast in place, which is used to assess the financial impact of the Group's strategy, together with a comprehensive budgeting system with an annual budget approved by the Board. A monthly report to the Board details the financial performance of the Group for the preceding period versus budget.

The external auditor who is engaged to express an opinion on the Group's financial statements, also consider the systems of internal financial control to the extent necessary to express that opinion. Internal and external auditors report the results of their work to management, including executive members of the Board and the Audit Committee.

The Board has adopted the Share Dealing Code for the purpose of compliance with Rule 21 of the AIM Rules and takes steps to ensure compliance with that rule by the Group's employees.

The Board confirms that there is a continuing process for identifying, evaluating and managing the risk faced by the Group. Through the procedures outlined above, the Board has considered all significant aspects of control during the period under review and to date.

Report of the Independent Auditors

We have audited the financial statements of Sorbic International plc for the year ended 30 September 2011, which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements, the Consolidated, and Parent Company Statements of Changes in Equity and the related notes numbered 1 to 30.

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.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities, 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.

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 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.

In addition, we read all the financial and non-financial information in the Directors' Report and Chairman's Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2.24.1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. As discussed in note 2.24.1, the Group will need to raise long-term funds to replace the short-term funds currently in place so as to be able to complete its new production facility in Ulanqab, Inner Mongolia the operation of which is required to generate funds to repay the Group's existing convertible loan notes which mature on 26 February 2013 in the event such loans are not converted. At the date of signing these financial statements this funding has not been negotiated. These conditions indicate the existence of a material uncertainty, which may cast doubt on the Group and Company's ability to continue as a going concern in the future. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Report of the Independent Auditors

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2011 and of the group's profit 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 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.

Robin Stevens
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

23 February 2012

Consolidated Statement of Comprehensive Income

	Notes	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Revenue	4	14,737,545	12,051,877
Cost of sales		(13,229,671)	(9,824,465)
Gross profit		1,507,874	2,227,412
Distribution and selling expenses		(205,353)	(146,898)
Administrative expenses		(1,289,368)	(1,302,958)
Profit from operations		13,153	777,556
Finance income	6	20,431	26,415
Finance costs	7	(89,438)	(201,534)
Unrealised foreign exchange gain		326,705	-
Profit before tax		270,851	602,437
Income tax expense	10	(140,861)	(253,751)
Profit for the year, attributable to equity holders of the parent	11	129,989	348,686
Other comprehensive income			
- Exchange differences on translating foreign operation		788,718	464,335
Total comprehensive income, net of tax		918,707	813,021
Profit attributable to equity holders of the parent		129,989	348,686
Total comprehensive income for the year attributable to equity holders of the parent		918,707	813,021
Earnings per share			
- Basic (pence)	12	0.36	1.04
- Fully diluted (pence)	12	0.28	0.90

The notes on pages 29 to 70 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital reserve	Surplus reserve	Retained earning	Share based payment reserve	Foreign currency translation reserve	Reverse acquisition reserve	Hedging Reserve	Convertible loan notes - equity	Total equity attributable to owners of the parent
	£	£	£	£	£	£	£	£	£	£	£
At 1 October 2009	2,003,310	21,079,289	2,519,393	449,114	7,002,312	30,000	1,295,737	(20,911,925)	(451,353)	-	13,015,877
Convertible loan notes - equity										52,269	52,269
Profit for the period	-	-	-	-	348,686	-	-	-	-	-	348,686
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	88,619	15,798	-	-	359,918	-	-	-	464,335
Total comprehensive income for the period	-	-	88,619	15,798	348,686	-	359,918	-	-	-	813,021
At 30 September 2010	2,003,310	21,079,289	2,608,012	464,912	7,350,998	30,000	1,655,655	(20,911,925)	(451,353)	52,269	13,881,167
Issue of ordinary share	310,500	724,500	-	-	-	-	-		-	-	1,035,000
Share issue costs	-	33,006	-	-	-	-	-		-	-	33,006
Convertible loan notes - equity	-	-	-	-	-	-	-		-	23,750	23,750
Profit for the period	-	-	-	-	129,989	-	-		-	-	129,989
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	175,367	31,261	-	-	582,090	-	-	-	788,718
Total comprehensive income for the period	-	-	175,367	31,261	129,989	-	582,090	-	-	-	918,707
At 30 September 2011	2,313,810	21,836,795	2,783,379	496,173	7,480,987	30,000	2,237,745	(20,911,925)	(451,353)	76,019	15,891,630

Company Statement of Changes in Equity

	Share capital	Share premium	Share based payment reserve	Convertible loan notes - equity	Accumulated loss	Total equity attributable to owners of the parent
	£	£	£	£	£	£
As at 1 October 2009	2,003,310	21,079,289	30,000	-	(485,496)	22,267,103
Convertible loan notes – Equity	-	-	-	52,269	-	52,269
Loss for the period	-	-	-	-	(468,447)	(468,447)
Total Comprehensive Income	-	-	-	-	(468,447)	(468,447)
As at 30 September 2010	2,003,310	21,079,289	30,000	52,269	(953,943)	22,210,925
Issue of ordinary share	310,500	724,500	-			1,035,000
Share issue costs	-	33,006	-	-	-	33,006
Convertible loan notes – Equity	-	-	-	23,750	-	23,750
Loss for the period	-	-	-	-	(653,372)	(653,372)
Total Comprehensive Income	-	-	-	-	(653,372)	(653,372)
As at 30 September 2011	2,313,810	21,836,795	30,000	76,019	(1,607,315)	22,649,309

Consolidated Statement of Financial Position

	Notes	As at 30 September 2011 £	As at 30 September 2010 £
ASSETS			
Non-current assets			
Property, plant and equipment	13	11,433,455	8,612,303
Land use rights	14	3,991,991	3,790,099
		15,425,446	12,402,402
Current assets			
Inventories	15	678,680	361,895
Trade receivables	16	1,409,922	1,331,775
Prepayments, deposits and other receivables	17	260,521	247,102
Amount due from related company – Hermes Financial	23	-	301,625
Cash and cash equivalents	18	3,520,838	5,664,954
Amount due from director	19	6,155,498	5,775,770
		12,025,459	13,683,121
Total assets		27,450,905	26,085,523
LIABILITIES			
Current liabilities			
Trade payables		289,801	190,077
Advanced payments		150,312	139,527
Accruals and other payables		231,287	580,402
Amount due to directors	19/29	8,571,774	7,937,541
Borrowings	20	-	1,412,520
Current tax liabilities		48,220	100,508
Amount due to related company – Hermes Capital	23	-	93,742
Amount due to related company – Albany Capital	23	-	341,070
		9,291,394	10,795,387
Non-current liability			
Convertible loan notes	24	2,267,881	1,408,969
Total liabilities		11,559,275	12,204,356

Consolidated Statement of Financial Position

	Notes	As at 30 September 2011 £	As at 30 September 2010 £
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	2,313,810	2,003,310
Share premium	21	21,836,795	21,079,289
Capital reserves	22.1	2,783,379	2,608,012
Surplus reserves	22.2	496,173	464,912
Retained earnings		7,480,987	7,350,998
Share based payment reserve	22.3	30,000	30,000
Reverse acquisition reserve	22.4	(20,911,925)	(20,911,925)
Convertible loan notes – equity	24	76,019	52,269
Foreign currency translation reserve		2,237,745	1,655,655
Hedging reserve	22.5	(451,353)	(451,353)
Total equity		15,891,630	13,881,167
Total equity and liabilities		27,450,905	26,085,523

These financial statements were approved by the directors and authorised for issue on 23 February 2012, and signed on their behalf by:

John McLean
Chairman

Ryan Ng Shin Ju
Chief Financial Officer

Company Number: 06280431

Company Statement of Financial Position

	Notes	As at 30 September 2011	As at 30 September 2010
		£	£
ASSETS			
Non-current assets			
Investment in subsidiary	28	20,983,735	20,983,735
		20,983,735	20,983,735
Current assets			
Prepayments, deposits and other receivables	17	34,009	28,590
Amount due from Subsidiary – Honour Field	23	4,476,522	2,776,016
Cash and cash equivalents	18	68,552	734,853
Total current assets		4,579,083	3,539,459
Total assets		25,562,818	24,523,194
LIABILITIES			
Current liabilities			
Accruals and other payables		70,796	416,000
Amount due to subsidiary – Honour Field	23	574,832	146,230
Amount due to related company – Albany Capital	23	-	341,070
Total current liabilities		645,628	903,300
Non-current liability			
Convertible loan notes	24	2,267,881	1,408,969
Total liabilities		2,913,509	2,312,269

Company Statement of Financial Position

	Notes	As at 30 September 2011 £	As at 30 September 2010 £
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	2,313,810	2,003,310
Share premium	21	21,836,795	21,079,289
Share based payment reserve		30,000	30,000
Convertible loan notes – Equity	24	76,019	52,269
Accumulated loss		(1,607,315)	(953,943)
Total equity		22,649,309	22,210,925
Total equity and liabilities		25,562,818	24,523,194

These financial statements were approved by the directors and authorised for issue on 23 February 2012, and signed on their behalf by:

John McLean
Chairman

Ryan Ng Shin Ju
Chief Financial Officer

Company Number: 06280431

Consolidated Cash Flow Statement

	Notes	As at 30 September 2011	As at 30 September 2010
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before tax		270,851	602,437
Adjustments for:			
Amortisation of prepaid land lease payments		50,210	49,697
Depreciation		498,192	472,418
Interest income		(20,431)	(26,415)
Interest expense		396,130	202,973
Gain on disposal of fixed assets		-	21,537
Operating cash flows		1,194,952	1,322,647
Changes in working capital:			
Increase in inventories		(292,450)	(25,278)
Increase in trade and other receivables		(1,104)	(348,089)
(Decrease)/increase in trade and other payables		(631,556)	2,645,472
Cash generated from operations		269,842	3,594,752
Income tax paid		(179,686)	(251,598)
Interest paid		(396,130)	(202,973)
Net cash (used in)/ generated from operating activities		(305,974)	3,140,181
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to prepaid lease payments		-	(1,545,709)
Acquisition of property, plant and equipment		(2,767,533)	(1,055,463)
Interest received		20,431	26,415
Net cash used in investing activities		(2,747,102)	(2,574,757)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan from financial institution		(1,507,500)	(1,412,520)
Proceeds from issuance of new shares, net of issue costs		1,172,696	-
Payment of deem dividend taxes		-	(1,138,450)
Proceeds from issuance of convertible loan notes		882,661	1,447,699
Net cash from/(used in) financing activities		547,857	(1,103,271)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,505,219)	(537,847)
Exchange gains on cash and cash equivalents		361,103	210,766
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		5,664,954	5,992,035
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3,520,838	5,664,954

Company Cash Flow Statement

	Notes	As at 30 September 2011	As at 30 September 2010
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(653,372)	(468,446)
Adjustments for: Interest income		(390)	(9)
Interest expenses		249,274	-
Operating cash flows		(404,488)	(468,455)
Increase in receivables		(5,419)	(24,087)
(Decrease)/ increase in payables		(257,672)	297,338
Increase in amount due from subsidiary		(1,700,506)	(522,846)
Operating cash flows		(2,368,085)	(718,050)
Interest paid		(249,274)	-
Net cash used in operating activities		(2,617,359)	(718,050)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		390	9
Net cash from investing activities		390	9
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of convertible loan notes		882,661	1,447,699
Proceeds from issuance of new shares, net of issue costs		1,068,007	-
Net cash generated from financing activities		1,950,668	1,447,699
Net (decrease)/increase in cash and cash equivalents		(666,301)	729,658
Cash and cash equivalents at beginning of period		734,853	5,195
Cash and cash equivalents at end of period		68,552	734,853

Notes to the Financial Statements

1. GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Sorbic International Plc and its subsidiaries' (the "Group") principal activities include the production and sale of food preservatives, Sorbic Acid and Potassium Sorbate. The Group's main operations are in the People's Republic of China ("PRC").

Sorbic International Plc, a public limited company, is the Group's ultimate parent company. It is incorporated and domiciled in the United Kingdom. The address of Sorbic International's registered office is 3rd Floor, 49 Whitehall, London SW1A 2BX. Sorbic International's shares are listed on the AIM Market of the London Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the European Union, and effective as at the date of these statements, and on the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The Group has adopted the following new interpretations; revision and amendments to IFRS issued by the International Accounting Standard Board, which are relevant to and effective for the Group's financial statements for the financial year beginning 1 October 2010:

- *IFRS 3 Business Combinations (Revised 2008)*
- *IAS 27 Consolidated and Separate Financial Statements (Revised 2008)*

Significant effects on current, prior or future periods arising from the first time application of these new requirements in respect of presentation, recognition and measurement are described in notes 2.2 to 2.3. An overview of standards, amendments and interpretations to IFRS issued but not yet effective is given in note 2.4.

2.2. IFRS 3 Business Combinations (Revised 2008)

The revised standard on business combination (IFRS 3) introduced major changes to the accounting requirement for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3 that will have an impact on the Group's acquisition in future are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition

- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised only once its payment was probable and changes were recognised as an adjustment to goodwill

- The measurement of assets acquired and liabilities assumed at their acquisition-date fair values is retained. However, IFRS 3R includes certain exceptions and provides specific measurement rules.

For the year ended 30 September 2011, the adoption of IFRS 3R has no effect on the Group's financial statements, as there was no acquisition during the year.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3R required that the revised IAS27 (IAS 27R) be adopted at the same time. IAS 27R introduced changes to the accounting requirements for transaction with non-controlling (formerly called "minority") interests and the loss of control of a subsidiary. These changes are applied prospectively. During the current period, the Group had no transaction with non-controlling interests.

2.4. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

Certain changes to IFRS will be applicable to the Group's accounts in future periods. To the extent that the Group has not adopted these early in the current financial statements, they will not affect the Group's reported profit or equity but they will affect disclosures.

The Group has not adopted the following standards in the preparation of the financial statements, as they are not effective as at 1 October 2010.

		Effective date – period beginning on or after
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments resulting from 2010 annual improvements to IFRS	1 January 2011
IFRS 7	Financial Instruments: Disclosures – Amendments resulting from 2010 annual improvements to IFRS	1 January 2011
	Amendments enhancing disclosures about transfers of financial assets	1 January 2011
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurements	1 January 2013
IAS 1	Presentation of Financial Statements – Amendments resulting from 2010 annual improvements to IFRSs	1 January 2011
IAS 19	Employee Benefits – Amendments resulting from 2010 annual improvements to IFRS	1 January 2013
IAS 24	Related Party Disclosure – Revised definition of related parties	1 January 2011
IAS 34	Interim Financial Reporting – Amendments resulting from 2010 annual improvements to IFRSs	1 January 2011
IFRC 14	Prepayments of Minimum Funding Requirements	1 January 2011

2.5. Presentation of Financial Statements

The consolidated financial statements are presented in accordance to IAS 1 – Presentation of Financial Statements (revised 2007) and comprise the financial statements of all the entities within the Group. The financials statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1. Reverse acquisition accounting

In April 2008, Honour Field successfully completed the acquisition of Linyi Van Science and Technology Limited ("LVST") for a total purchase consideration of £3,624,495.

A qualitative and quantitative analysis of these factors leads the directors to conclude that in this transaction LVST should be treated as the accounting acquirer as the executive management of LVST became that of Honour Field as well as the agreement between management and acquiring shareholders.

In September 2008, the Company successfully completed the acquisition of Honour Field and its subsidiary for a total purchase consideration of up to £20,120,000, excluding expenses, as fulfilled by an immediate issuance of 16,526,667 new Ordinary shares of the Company upon completion of the acquisition. A further 10,300,000 new Ordinary shares was issued in the year to 30 September 2009 upon Honour Field meeting its profit target under a deferred consideration scheme known as the Escrow share scheme.

Due to the relative values of the companies, the former Honour Field shareholders became majority shareholders with 68.15 percent of the enlarged ordinary share capital in Sorbic International, and hence hold the majority of the voting rights. Further, the executive management of the LVST became that of Honour Field and Sorbic International. A qualitative and quantitative analysis of these factors leads the Directors to conclude that in this transaction Honour Field has the controlling interest and should be treated as the accounting acquirer.

In determining the appropriate accounting treatment for the reverse acquisition, the directors have considered the Application Supplement to IFRS 3, Business Combinations. However, they have concluded that this transaction falls outside of the scope of IFRS 3, since Sorbic International, whose activities prior to the acquisition were limited to the management of cash resources and the maintenance of its listing, did not constitute a business. It has therefore been determined that the transaction should be accounted for in a manner that is similar to the reverse accounting as described in IFRS 3, but without recognising goodwill.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in developing an appropriate accounting policy the directors have considered the pronouncements of other standard-setting bodies and specifically looked to accounting principles generally accepted in the United States of America ("US GAAP") for guidance (FAS 141, Business Combinations) as well as SEC rules. Under US GAAP, in a reverse acquisition, the target company (Honour Field) is treated as the acquiring company for financial reporting purposes (no purchase accounting adjustments) and the fair value of the issuing company's common shares (Sorbic International) is recognised, together with adjustments necessary to reflect the net tangible and identifiable intangible assets at their fair value with any remainder assigned to goodwill (full application of purchase accounting).

Under US GAAP, such a transaction is treated as an equity issuance by the operating entity (in this case Honour Field). As a result, the cost of the combination is deemed to equal the net monetary assets of the acquiree (Sorbic International) plus transaction costs. Only costs incurred by the "target" company can be capitalised.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2. Subsidiary undertakings

As at 30 September 2011, the Company had the following subsidiaries:

Name of Subsidiary	Date and place of establishment	Percentage of equity attributable to Sorbic International	Principal activities
Honour Field International Limited ("Honour Field")	3 July 2007 BVI	100%	Holding Company
Held by Honour Field			
Linyi Van Science and Technique Co., Ltd ("LVST")	17 July 2001 PRC	100%	Production and sale of food preservatives
Held by LVST			
Inner Mongolia Van Science and Technique Company Limited	22 January 2010 PRC	100%	Production and sale of food preservatives

2.5.3. Investment

Investment in subsidiary companies is stated at cost, less provision for diminution in carrying value.

2.6. Revenue

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods and trading of raw material are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customer.

Interest income is recognised on a time-proportion basis using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Income tax and taxation

2.7.1. Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2.7.2. Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.7.3. Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8. Employee benefits

Honour Field, based in Singapore, makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

The Group's Chinese subsidiaries follow the rules and regulations stipulated by the PRC, including:

2.8.1. Pension obligations

LVST contributes to defined contribution retirement schemes, which are available to all employees. Contributions to the schemes by LVST and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated statement of comprehensive income represents contributions payable by LVST to the scheme.

2.8.2. Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan, which is without realistic possibility of withdrawal.

2.9. Functional and foreign currency

2.9.1. Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"); i.e. The functional currency of LVST and Inner Mongolia Van Science Technique Co., Ltd is Renminbi and the functional currency of all other group companies is Sterling. The financial information is presented in Sterling, which is Sorbic International's functional and presentational currency

2.9.2. Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives of property, plant and equipment are as follows:

	Useful economic life (years)
Buildings	20
Plant and machinery	12
Office equipment and fixtures	5
Motor vehicles	5

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. The assets would be transferred to the respective class of assets on completion. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

2.11. Land use rights

Land use rights are capitalised and stated at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the term of the rights, and is included within administrative expenses in the consolidated statement of comprehensive income.

2.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Group reviews an ageing analysis at each balance sheet date and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated statement of comprehensive income.

2.14. Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets, inventories and receivables to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.15. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

2.16. Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17. Borrowings and Borrowing costs

2.17.1. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17.2. Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directlly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing cost commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is incurred. The amount of borrowing cost capitalised during the year was £237,531 (FY2010: Nil)

2.18. Financial instruments

Financial assets and financial liabilities are recognised and derecognised on a trade date basis where the purchase or sale of the instrument is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

2.19. Convertible loan notes

Convertible loan notes issued by the Group are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using prevailing market interest rate for similar non-convertible debt. The difference between the proceeds from issuing the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the respective date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20. Equity

For the purpose of preparing the consolidated financial statement of the Group, the share capital represents the nominal value of the issued share capital of Sorbic International. Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issue.

The PRC statutory reserves comprise of the capital reserves and the surplus reserves of the subsidiaries of Honour Field established in the PRC, which were set-up in accordance with their respective article of association and the relevant PRC laws and regulations.

The reverse acquisition reserve arises as a result of following the accounting method described in note 2.5.1 in respect of the RTO completed in 2008.

Foreign currency translation reserve represents the difference arising from translation of investment in overseas subsidiaries.

The accounting policies adopted for specific equity related financial instruments and arrangements are set out below.

2.21. Share-based payments

All share-based payment arrangements are recognised in the consolidated financial statements in the period in which the associated goods or services are provided. The Group operates equity-settled share-based remuneration plans for remuneration of its employees, although to-date no options have been granted under these plans.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values at the date the services are provided.

All equity-settled share based payments are recognised as an expense with a corresponding credit to "Share based payment reserve". Where the cost relates to the issue of shares, the cost has been offset against share premium. Upon exercise of the share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

2.22. Derivatives financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

2.22.1 hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

2.22.2 hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22. Derivatives financial instruments and hedging activities (continued)

2.22.3 hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The full fair value of a hedging derivative it classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.22.1. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of the hedged or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effect portion of interest rate swaps hedging fixed rate borrowings is recognised in the consolidated statement of comprehensive income within “finance costs”. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of comprehensive income within “other gains/(losses) — net”. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the consolidated statement of comprehensive income within ‘finance costs’. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

2.22.2. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income within “other gains/(losses) —net”.

Amounts accumulated in equity are recycled in the consolidated statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of comprehensive income within “finance costs”. The gain or loss relating to the ineffective portion is recognised in the consolidated statement of comprehensive income within “other gains/(losses)— net”. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income within “other gains/(losses) — net”.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22. Derivatives financial instruments and hedging activities (continued)

2.22.3 Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income within "other gains/(losses) — net". Gains and losses accumulated in equity are included in the consolidated statement of comprehensive income when the foreign operation is partially disposed of or sold.

2.22.4 Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the consolidated statement of comprehensive income within "other gains/(losses) — net".

2.23. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non- occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

2.24. Key assumptions and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS 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 expenses during the reporting period.

Although these estimates are based on management's best knowledge of the amount, event or actions, results ultimately may differ from those estimates. The directors have reviewed the accounting policies set out above and consider them to be the most appropriate to the Group's business activities.

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 discussed below:

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24.1. Going concern

The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on finance being available for the continuing working capital requirements of the Group and finance for the development of the Group's projects becoming available.

As discussed in the Directors' Report, additional funds are required to enable the Group to complete and start operations at the new production facility in Ulanqab, Inner Mongolia. While the Group has secured short-term financing, these will need to be repaid and renegotiated within the next 12 months. The Group has commenced discussions with its Chinese bankers about an additional long-term facility and alternative funding sources; however, at this stage no commitment has been secured.

As highlighted on Note 24 to the financial statements, the existing convertible loan notes mature on the 26 February 2013. The repayment/conversion of the loan notes is dependent on the performance of the Group and hence the successful conclusion of the funding discussions and the completion of the plant in Inner Mongolia.

In approving the financial statements, the Board have recognised that the combination of these circumstances creates a level of uncertainty. However, having made enquiries and considered the uncertainties outlined above, the directors have a reasonable expectation that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future. Accordingly, the Board believes it is appropriate to adopt the going concern basis in the preparation of the financial statements.

Further details concerning going concern are discussed under the Directors' Report.

The Group also uses the following estimates and assumptions that do not have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These are:

2.24.2. Income Taxes

Judgement is required in determining the deductibility of certain expenses during the estimation of the provision of income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The amount of income tax charged in the period is shown in Note 10.

2.24.3. Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these properties, plant and equipment to be within 2 to 20 years. These are common life expectancies applied in the industry in which the Group operates. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised. The cost and net book value of these assets are shown in Note 13.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24.4. Impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Group will continue to review the carrying value of their property, plant and equipment and adjustments will be made in future periods should an impairment loss be identified. The carrying amounts of these assets are shown in Note 13.

2.24.5. Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in accessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial condition of the Group's debtors were to deteriorate, resulting in an impairment of the ability to make payments, additional impairment loss of trade and other receivable may be required. The Group will continue to review the carrying value of their trade and other receivables and adjustments will be made in future periods should an impairment loss be identified. The carrying amounts of these assets are shown in Note 16 and 17.

3. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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.

The capital structure of the Group consists of bank and other borrowings, and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and also debts to equity ratio.

3.1 Gearing ratio

The gearing ratio is defined and calculated by the Group as a total of interest-bearing borrowings to the owners' equity. Total equity includes mainly equity attributable to equity holders of the company.

Notes to the Financial Statements

3. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (continued)

During the year ended 30 September 2011, the Group's strategy was to maintain the gearing ratio at a moderate level within 1:3 in order to secure access to finance at a reasonable cost. The gearing ratios as at the balance sheet dates were as follows:

Group	As at 30 September 2011	As at 30 September 2010
	£	£
Debts- interest bearing		
Bank borrowings	-	1,412,520
Shareholder's loan	-	341,070
Convertible loan notes	2,267,881	1,562,000
Total	2,267,881	3,315,590
Equity		
Capital and reserves attributable to equity holders of the company	15,891,630	13,881,167
Gearing ratio	1:6.7	1:4.2

The debt to equity ratio is defined and calculated by the Group as total debt (total liabilities) to the owner's equity, at 30 September 2011 was 1:1.4 (2010:1:1.1).

Group	As at 30 September 2011	As at 30 September 2010
	£	£
Total debts	11,559,275	12,204,356
Capital and reserves attributable to equity of the company holders	15,891,630	13,881,167
Debt to equity ratio	1:1.4	1:1.1

4. REVENUE

All revenues relates to the sales of goods. Revenue represents the invoiced value of goods, net of discounts and returns. An analysis of the Group's revenue is as follows:

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Sale of Sorbic Acid	7,062,233	5,735,928
Sale of Potassium Sorbate	7,675,312	6,315,949
	14,737,545	12,051,877

Notes to the Financial Statements

5. SEGMENTAL INFORMATION

The Group has adopted IFRS 8, Operating Segments for the year ended 30 September 2011. IFRS 8 requires that segments represent the level at which financial information is reported to the Board of directors ("The Board") of the Group, being the chief operating decision maker as defined in IFRS 8. The Board consists of the Chairman, the President, the Chief Executive Officer, the Chief Financial Officer and the Non-Executive Directors. The Board determines the operating segments based on reports reviewed and used by the Board for strategic decision-making and resource allocation.

Segment information is presented in respect of the Group's geographical and operating segments. The Group's operating segments are as follows:
(i) Sorbic acid
(ii) Potassium sorbate
(iii) Head office and other adjustments, which incorporates a measure of assets and liabilities not included in the other segments

There were no inter-segment sales and transfers during the year ended 30 September 2011.

Geographical Information - Revenue	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
PRC	7,389,689	5,505,996
United States	3,561,595	2,858,057
Russia	1,138,373	912,978
Netherlands	1,118,846	1,265,591
Other	1,529,042	1,509,255
Consolidated	14,737,545	12,051,877

Notes to the Financial Statements

5. SEGMENTAL INFORMATION (continued)

All non-current assets are held in the PRC.

Operating Segments	Sorbic acid	Potassium sorbate	Head office and other adjustments	Consolidated
	£	£	£	£
Year ended 30 September 2011				
Revenue	7,062,233	7,675,312	-	14,737,545
Gross profit	454,979	1,052,895	-	1,507,874
Profit before taxation	-	-	270,851	270,851
Taxation	-	-	(140,861)	(140,861)
Net profit after tax	-	-	129,989	129,989
Segment assets	401,897	333,481	26,715,527	27,450,905
Segment liabilities			(11,559,275)	(11,559,275)
Finance income	-	-	20,431	20,431
Finance costs	-	-	(89,439)	(89,439)
Depreciation and amortisation	272,430	275,972	-	548,402
Capital expenditure	-	-	2,011,841	2,011,841
Year ended 30 September 2010				
Revenue	5,735,928	6,315,949	-	12,051,877
Gross profit	945,765	1,281,647	-	2,227,412
Profit before taxation	-	-	602,437	602,437
Taxation	-	-	(253,751)	(253,751)
Net profit after tax	-	-	348,686	348,686
Segment assets	446,982	359,925	25,278,616	26,085,523
Segment liabilities			(12,204,356)	(12,204,356)
Finance income	-	-	26,415	26,415
Finance costs	-	-	(201,534)	(201,534)
Depreciation and amortisation	243,803	228,615	49,697	522,115
Capital expenditure	-	-	1,207,111	1,207,111

Notes to the Financial Statements

6. FINANCE INCOME

Finance income and costs included are all interest related. The following amounts have been included in the income statement line for the reporting periods presented:

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Interest Income	20,431	26,415

7. FINANCE COST

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Interest on bank loans and borrowings	89,438	201,534

8. STAFF COSTS

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Directors' remuneration:		
Fees as directors	67,500	92,292
For management	183,404	253,602
Other emoluments	76,483	31,509
Pension costs	8,691	13,715
	336,078	391,118

There are no directors to whom retirement benefits are accruing under money purchase pension schemes.

Staff costs, including directors' remuneration:

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Wages and salaries	437,729	541,725
Social security costs	52,402	41,787
Pension costs	103,220	89,107
	587,351	672,619

8. STAFF COSTS (continued)

Average number of persons employed by the Group, including directors

	Year ended 30 September 2011	Year ended 30 September 2010
	No	No
Management	20	21
Sales	10	8
Production and administration	235	238
	266	267

9. RETIREMENT BENEFIT SCHEMES

The Company makes contribution to HM Revenue and Custom national insurance for the UK directors.

Honour Field is based in Singapore, and makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
UK	3,281	6,511
Singapore	11,399	12,471
China	88,540	70,125
	103,220	89,107

The Group's Chinese subsidiaries are required to participate in the employee pension schemes operated by the relevant local government authorities in the PRC. The PRC government is responsible for the pension liabilities to the employee pension scheme. LVST is required to make contributions for those employees who are registered as permanent residents in the PRC and are within the scope of the relevant PRC regulations at rates ranging from 19% to 20% of the employees' salaries.

Notes to the Financial Statements

10. INCOME TAX EXPENSES

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Current tax	140,861	253,751
Deferred tax	-	-
	140,861	253,751
Profit before tax	270,851	602,437
Tax on profit at standard rate (25%; 2010: 25%)*	67,713	150,609
Tax effect of non-deductible expenditure	154,825	170,451
Tax effect of exempt income	(81,676)	(67,309)
Current tax expense recognised in income statement	140,861	253,751
Effective tax rate	52.0%	42.1%

* The Company is subject to a United Kingdom tax rate of 28% from April 2008. No tax provision is provided at the Sorbic International level, as all current profits are foreign derived income.

The Company's subsidiary Honour Field International Limited is a BVI registered company and t has tax-exempt status.

The Company's subsidiary Linyi Van Science and Technique Co., Limited ("LVST") is subject to a PRC Enterprise Income Tax rate of 25% (2010: 25%).

The tax charge on profits assessable has been calculated at the rates of tax prevailing in China, in which the Group through its China subsidiaries operates, based on existing legislation, interpretation and practices in respect thereof.

LVST has had the benefit of a tax holiday from 2004 in which it is entitled to exempt the Enterprise Income Tax ("ETI") for two years starting from first profit making year following by a 50% tax relief for the next three years. The tax relief ended on the 31 December 2009.

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of £450,048 (2010: £267,507) in respect of losses amounting to £1,607,314 (2010: £955,382) that can be carried forward against future taxable income since future taxable profits were not considered probable.

Notes to the Financial Statements

11. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging the following:

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Depreciation	498,192	472,418
Cost of inventories sold	1,128,344	1,020,187
Exchange losses	69,160	31,908
Amortisation of prepaid land lease payments	50,210	49,697
Auditor's remuneration:		
– Fees payable for the audit of the Company' annual accounts	54,000	52,000
– Fees payable to the Company's auditor and its associates for other services	11,705	4,642

12. EARNING PER SHARE AND DIVIDENDS

Basic	2011	2010
Profit attributable to equity holders of the Company (£)	129, 989	348,686
Weighted average number of ordinary shares in issued (number)	36,368,979	33,388,500
Basic earnings per share (pence)	0.36	1.04

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and convertible loan notes. For the convertible loan notes, a calculation is done to determine the number of shares that could have been acquired based on the monetary value of the subscription rights attached to outstanding share options and convertible loan notes. The number of shares calculated as above is adjusted for the number of shares that would have been issued assuming the exercise of the convertible loan notes. The contingently issuable shares included within the share options are anti-dilutive and are not included in the calculation.

	2011	2010
Profit attributable to equity holders of the Company	£129,989	£348,686
Weighted average number of Ordinary shares in issue (number)	36,368,979	33,388,500
Adjustments for:		
Convertible loan notes (number)	9,376,923	4,881,250
Share options (number)	-	-
	46,345,902	38,869,750
Diluted earnings per share (pence)	0.28	0.90

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment and fixtures	Motor vehicles	Construction in progress	Total
	£	£	£	£	£	£
Cost						
At 1 October 2009	2,051,682	4,164,534	58,883	53,429	3,791,784	10,120,312
Additions	143,968	71,674	-	30,923	864,352	1,110,917
Disposal	(27,085)	-	-	-	(55,453)	(82,538)
Translation differences	71,994	146,381	2,071	1,834	132,174	354,454
At 30 September 2010	2,240,559	4,382,589	60,954	86,186	4,732,857	11,503,145
Additions	929,037	-	-	-	2,011,841	2,940,878
Transfer	-	-	-	-	(304,755)	(304,755)
Translation differences	201,557	294,692	4,099	5,795	398,755	904,898
At 30 September 2011	3,371,153	4,677,281	65,053	91,981	6,838,698	15,044,167
Accumulated depreciation						
At 1 October 2009	560,789	1,731,629	34,454	15,404	-	2,342,276
Charge for the year	104,412	342,872	9,561	15,356	-	472,201
Disposal	(5,331)	-	-	-	-	(5,331)
Translation differences	19,579	60,400	1,198	519	-	81,696
At 30 September 2010	679,449	2,134,901	45,213	31,279	-	2,890,842
Charge for the year	122,773	351,087	8,562	15,770	-	498,192
Translation differences	52,413	162,788	3,509	2,967	-	221,677
At 30 September 2011	854,635	2,648,776	57,284	50,016	-	3,610,711
Carrying amount						
At 30 September 2010	1,561,110	2,247,688	15,741	54,907	4,732,857	8,612,303
At 30 September 2011	2,516,518	2,028,505	7,769	41,965	6,838,698	11,433,455

As at 30 September 2011, no property plant and equipment are pledged as security for bank loans (2010: £9,608,000)

14. LAND USE RIGHTS

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Cost		
Beginning of period	3,935,937	2,311,227
Addition	-	1,545,709
Translation difference	264,659	79,001
End of period	4,200,596	3,935,937
Accumulated amortisation		
Beginning of period	145,838	92,945
Charge for the year	50,210	49,697
Translation difference	12,557	3,196
End of period	208,605	145,838
Carrying amount	3,991,991	3,790,009

The Group's prepaid land lease payments represent payments for land use rights situated in the PRC under medium term leases. The Group's land use rights lease prepayments are being amortised straight-line over 48-50 years terms and included under administration expenses in the consolidated statement of comprehensive income.

15. INVENTORIES

Group	As at 30 September 2011	As at 30 September 2010
	£	£
Raw materials	484,637	265,577
Consumables	25,751	21,872
Finished goods	168,292	74,446
	678,680	361,895

Notes to the Financial Statements

16. TRADE AND OTHER RECEIVABLES

Trade receivables are unsecured, non-interest bearing and on 2 months' terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition less provision for impairment where it is required.

Trade receivables that are less than three months past due are not considered impaired.

The ageing analysis of trade receivables past due but not impaired are set out below. These relate to a number of independent customers for whom there is no recent history of default.

	As at 30 September 2011	As at 30 September 2010
	£	£
Up to three months	1,409,922	1,331,775

Trade receivables that are neither past due nor impaired are considered to be fully recoverable. There are no concentrations of credit risk in trade receivable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group	As at 30 September 2011	As at 30 September 2010
	£	£
Prepayments	210,160	197,931
Other receivables	50,361	350,796
	260,521	548,727

Company	As at 30 September 2011	As at 30 September 2010
	£	£
Prepayments	16,060	16,060
Other receivables	17,949	12,530
	34,009	28,590

Notes to the Financial Statements

18. CASH AND CASH EQUIVALENTS

Group

	As at 30 September 2011	As at 30 September 2010
	£	£
Cash and cash equivalents	3,520,838	5,664,954

The cash and cash equivalents are denominated in the following currencies:

	As at 30 September 2011	As at 30 September 2010
	£	£
Renminbi	3,376,402	4,610,760
Singapore Dollar	14,921	(645)
Pound Sterling	129,515	1,054,839
	3,520,838	5,664,954

The conversion of Renminbi denominated cash and bank balances into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Company

	As at 30 September 2011	As at 30 September 2010
	£	£
Cash and cash equivalents	68,552	734,853

19. AMOUNTS DUE FROM/ (TO) DIRECTOR

Group

	As at 30 September 2011	As at 30 September 2010
	£	£
Wang Yan Ting:		
Amount due from directors	6,155,498	5,775,770
Amount due to directors	(8,571,774)	(7,937,541)

The director loans are denominated in Renminbi. It is unsecured, interest free with no fixed term.

Mr. Wang Yan Ting is a director of the Company and the former owner of LVST. RMB50.8 million (£5.1 million) within the amount due from director relates to transactions entered with the director to resolve a tax position that arose due to the acquisition of LVST. These amounts are repayable on demand and interest free. The balances are loans to finance the Group's expansion plans in Inner Mongolia.

The amount due to director consists of the offsetting loan from the director in relation to the above tax position and additional loans from the director to fund the Group's expansion plans. These amounts are repayable on demand, unsecured, interest free.

Notes to the Financial Statements

20. INTEREST-BEARING BORROWINGS

Group	As at 30 September 2011	As at 30 September 2010
	£	£
Bank loans		
The borrowings are repayable as follows:	-	1,412,250
On demand or within one year	-	1,412,250

There are no outstanding short-term bank loans as at 30 September 2011 (2010: £1,412,520). The effective interest rate of the bank loan for the year was approximately 4.93% (2010: 5.42%)

21. SHARE CAPITAL

	As at 30 September 2011	As at 30 September 2010
	£	£
Authorised		
100,000,000 ordinary share of £0.06 each	6,000,000	6,000,000

The movement on the share capital account was as follows:

Issued, called up and fully paid	£
At 1 October 2009 and 2010	
33,388,500 Ordinary shares of £0.06 each	2,003,310
Issue of shares on 2 March 2011	
3,575,000 Ordinary shares of £0.06 each	214,500
Issue of shares on 11 March 2011	
1,600,000 Ordinary shares of £0.06 each	96,000
At 30 September 2011	2,313,810

The principal amount of the convertible loan notes issued on 27 August 2010 and 25 February 2011 can be converted into such number of new fully paid ordinary shares of the Company at a conversion price of 26 pence per share at any time up to the final redemption date of 26 February 2013. As at 30 September 2011, 9,376,923 ordinary shares are reserved for issue. No conversion took place during the year.

Notes to the Financial Statements

21. SHARE CAPITAL (continued)

The movement on the share premium account was as follows:

Share premium	£
As at 1 October 2009 and 2010	21,079,289
Issue of shares on 2 and 11 March 2011 for a consideration of £0.20 per share	724,500
Share issue costs	33,006
At 30 September 2011	21,836,795

On 2 and 11 March 2011, the Company allotted and issued further 3,575,000 and 1,600,000 ordinary shares respectively. Cost of £79,792 has been deducted from the share premium in relation to the issue of shares. During the year, £112,798 was reversed out when the Company derecognised the amount due to Hermes Capital relating to the 2008 reverse takeover exercise.

22. RESERVES

22.1. Capital reserve

The capital reserve comprises the surplus between the fair value of the net assets and the nominal value of shares issued when LVST was converted/ acquired from a state-owned enterprise to a limited company

The capital reserve can only be used for conversion into share capital.

Domestic PRC companies are also required to transfer 5% to 10% of net profit, as determined under PRC accounting regulations, to the statutory common welfare fund. This fund can only be used to provide staff welfare facilities and other collective benefits to the employees of that company. This fund is non-distributable other than in the event of liquidation.

22.2. Surplus reserve

In accordance with the relevant PRC laws and regulations, PRC domestic companies are required to transfer 10% of their profit after income tax, determined in accordance with PRC GAAP, to the statutory reserves, until the balance of the reserve reaches 50% of the registered capital of that company. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve may be used to offset against accumulated losses, if any.

22. RESERVES (continued)

22.3. Share based payment reserve

Share based payment reserve represents equity-settled share-based payments until such share options are exercised. There has been no movement in the share based payment reserve:

	As at 30 September 2011	As at 30 September 2010
	£	£
Share options granted to		
Hermes Capital for subscription of 400,000 new ordinary shares	20,000	20,000
Finn Cap for subscription of 200,000 new ordinary shares	10,000	10,000
	30,000	30,000

In 2008, Sorbic International granted Hermes Capital and JM Finn Capital Markets Limited ("Finn Cap") warrants to subscribe for 400,000 and 200,000 new ordinary shares of the Company, respectively, at a subscription price of £0.75 per share. The warrant may be exercised at any time during the period of five years from 29 September 2008 onwards. As at 30 September 2011 the warrant remained unexercised.

22.4. Reverse acquisition reserve

The reverse acquisition reserve arises as a result of following the accounting method described in note 2.5.1 in respect of the reverse acquisition.

22.5. Hedging reserves

The hedging reserve arises as a result of following the accounting method described in note 2.22 and relates to the foreign currency exchange losses that arose from the Renminbi denominated consideration for the acquisition exercise.

23. RELATED PARTY TRANSACTIONS

Group

An entity or individual is considered a related party of the Group for the purpose of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or
(ii) it is subject to common control

In addition to related party information disclosed elsewhere in the financial statements, the following significant related party transactions took place during the year on terms agreed between the parties:

Notes to the Financial Statements

23. RELATED PARTY TRANSACTIONS (continued)

	As at 30 September 2011	As at 30 September 2010
	£	£
Director – John Mclean		
Convertible loan interest	4,627	384
Consultancy Fee	42,500	17,708
Director – Ang Wee Boon		
Consultancy Fee	33,983	13,800
Hermes Financial Group (BVI) Ltd		
Amount due from	-	301,625
Hermes Capital (BVI) Ltd		
Amount due to	-	93,742
Albany Capital Group Limited/Albany Capital PLC		
Convertible loan interest	44,228	2,046
Shareholder loan interest	12,581	27,070
Amount due to	-	341,070
Management fee payable	-	-
Fees paid to Albany Capital for advisory work and administrative time costs	24,031	25,000

23.1. Hermes group of companies

Financial Group (BVI) Ltd ("Hermes Financial") is a shareholder of the Company. The amount due from Hermes Financial as at 30 September 2010 represents the remaining funds that Hermes Financial owed in relationship to the reverse takeover and re-admission to AIM.

Hermes Capital (BVI) Ltd ("Hermes Capital") is a related company as its 100% shareholder Hermes Financial is a shareholder of the Company. The amount due to Hermes capital as at 30 September 2010 was related to the provision of advisory and consultancy services to Honourfield International. An accrual of £250,000 being approximately 1.0% of Sorbic's gross market capitalisation at the time of listing was provided in addition to £73,917 of expenses.

There are no balances as at 30 September 2011 as all the outstanding balance has been netted off

Notes to the Financial Statements

23. RELATED PARTY TRANSACTIONS (continued)

23.2. Albany Capital Group Limited ("Albany Capital") is a shareholder of the Company and is providing administrative service and acted as adviser to the Company in relation to the reverse takeover and re-admission to AIM. Mr. John Mclean is a common director in the Company and Albany Capital.

The amount due to Albany Capital as at 30 September 2010 comprises of principal of £314,000 and accrued interest of £27,070 and is secured by a debenture; and bears interest of 7.5% per annum. The principal amount was converted into Convertible loan notes B in April 2011.

23.3. Compensation of key management personnel (as recognised in the consolidated income statement)

	Number of directors /key management	As at 30 September 2011	As at 30 September 2010
		£	£
Directors remuneration: (Short-term employee benefits)			
Wages and emoluments	5	336,078	391,117
Key management: (Short-term employee benefits)			
Wages and emoluments	2/ 3	208,814	304,606

23.4. Convertible loan notes

As at 30 September 2011, outstanding convertible loan notes owed to the directors were as follows:

	Direct	Deemed
	£	£
Principal	40,000	550,000
Interest accrued	1,695	20,307

Deemed interests are indirect holdings, namely shares owned by the spouse of a director, or by a company in which a director holds office.

Notes to the Financial Statements

23. RELATED PARTY TRANSACTIONS (continued)

23.4. Convertible loan notes (continued)

Company

The following significant related party transaction took place during the year on terms agreed between the parties:

	As at 30 September 2011	As at 30 September 2010
	£	£
Honourfield International Limited		
Amount due from subsidiary	4,476,522	2,776,016
Amount due to subsidiary	574,832	146,230
Management fee income from a subsidiary	24,000	24,000

The amount due from a subsidiary represents an amount advanced by Sorbic International to a subsidiary. It is unsecured, interest free and has no fixed terms of repayment.

The amount due to a subsidiary represents payments made by the subsidiary on behalf of the Company. It is unsecured, interest free and has no fixed terms of repayment.

24. CONVERTIBLE LOAN NOTES

Convertible loan notes A (the "A Loan Notes") and Convertible loan notes B (the "B Loan Notes") were issued on 27 August 2010 and 25 February 2011 respectively. The loan notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their maturity date of 26 February 2013 at £0.26 per share.

The effective interest rate used to calculate the interest charged for both A and B loan notes to the income statement was 12%.

If the notes have not been converted, they will be redeemed on their maturity date at par. Interest of 10 % per annum will be paid biannually up until that date.

Notes to the Financial Statements

24. CONVERTIBLE LOAN NOTES (continued)

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group as follows:

30 September 2011		**A Loan Notes**			**B Loan Notes**		**Total**
	Gross amount	**Transaction costs**	**Net amount**	**Gross amount**	**Transaction costs**	**Net amount**	**Net amount**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Convertible loan notes issued	1,562,000	114,301	1,447,699	876,000	72,199	803,801	2,251,500
Equity component	56,395	4,126	52,269	25,887	2,137	23,750	76,019
Liability component at date of issue	1,505,605	110,175	1,395,430	850,113	70,062	780,051	2,175,481
Transfer of A to B notes			(387,486)			387,486	-
Interest charged			159,623			90,608	250,231
Interest paid			(111,872)			(45,959)	(157,831)
Liability component at 30 September 2011			1,055,695			1,212,186	2,267,881

30 September 2010		**A Loan Notes**	
	Gross amount	**Transaction costs**	**Net amount**
	£	**£**	**£**
Convertible loan notes issued	1,562,000	114,301	1,447,699
Equity component	56,395	4,126	52,269
Liability component at date of issue	1,505,605	110,175	1,395,430
Interest charged			13,539
Interest paid			-
Liability component at 30 September 2010			1,408,969

Notes to the Financial Statements

25. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows

	As at 30 September 2011	As at 30 September 2010
	£	£
Contracted but not provided for		
- Construction in progress	6,897,222	5,758,931

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Summary of financial assets and liabilities by category

Group	As at 30 September 2011	As at 30 September 2010
	£	£
Trade and other receivables:- Loans and receivables	7,825,941	7,656,272
Cash and cash equivalent: Loans and receivables	3,520,838	5,664,954
	11,346,779	13,321,226
Non-financial assets	16,104,126	12,764,297
	27,450,905	26,085,523
Borrowings		
-Financial liabilities recorded at amortised cost	-	1,412,520
Trade and other payables, amount due to related companies		
-Financial liabilities recorded at amortised cost	9,243,174	9,282,359
Convertible loan notes	2,267,881	1,408,969
	11,511,055	12,103,848
Non-financial liabilities	48,220	100,508
	11,559,275	12,204,356

Notes to the Financial Statements

26. FINANCIAL INSTRUMENTS (continued)

Company	As at 30 September 2011	As at 30 September 2010
	£	£
Trade and other receivables:- Loans and receivables	4,510,531	2,804,606
Cash and cash equivalent:- Loans and receivables	68,552	734,853
	4,579,083	3,539,459
Non-financial assets	20,983,735	20,983,735
	25,562,618	24,523,194
Trade and other payables, amount due to related parties and shareholders:		
-Financial liabilities recorded at amortised cost	645,628	903,300
Non-financial liabilities	-	-
Convertible loan notes	2,267,881	1,408,969
	2,913,509	2,312,269

Risk management objectives and policies

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group establishes and coordinated its risk management at its headquarter in China, in close co-operation with the Board of directors. The Group focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The overall financial risk management objective is to ensure that the Group enhances shareholders' value. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described as below.

26.1. Currency risk

The Group's ultimate holding company is located in United Kingdom and its monetary assets; liabilities and transactions are principally denominated in the functional currency of respective group entities, which are mainly British Pound ("GBP"). However, most of the transactions of the Group are carried out in the PRC – where its subsidiary LVST operates. The Group's sales transactions are transacted either in Renminbi ("RMB") and US Dollar ("USD") whereas all related purchases and loan borrowings transactions are therefore denominated in Renminbi ("RMB"). The amounts to be paid and received in RMB are expected to largely offset one another. No hedging activity is undertaken. For the financial period, the Group's expenses incurred were in a combination of GBP, RMB and Singapore Dollar ("SGD").

26. FINANCIAL INSTRUMENTS (continued)

26.1 Currency risk (continued)

Facing the continuous appreciation of RMB against GBP and USD, the Group is facing the following foreign currency translation exposure:

Group	As at 30 September 2011			As at 30 September 2010			
	£			£			
Nominal amounts	RMB	USD	SGD	RMB	HKD	USD	SGD
Financial assets							
- trade receivables	768,189	641,733		545,471	-	786,303	-
- other receivables	226,512	-		218,511	-	-	-
- cash & banks	3,376,402	-	14,921	4,610,759	-	-	(645)
- amount due from director	6,155,498						
Financial liabilities							
- trade payables	(289,801)	-		(190,077)	-		
- other payables	(91,435)	-		(175,874)	-		
- short term borrowings	-	-		(1,412,520)	-		
- accrual	(259,357)	-	(8,230)	(209,740)	-		(18,822)
- amount due to related co.	-	-		-	(93,742)		
- amount due to director	(8,571,774)	-		(7,937,542)	-		
Short term exposure	1,314,234	641,733	6,691	(4,551,012)	(93,742)	786,303	(19,467)

26. FINANCIAL INSTRUMENTS (continued)

26.1 Currency risk (continued)

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the GBP– RMB, GBP – HKD, GBP – USD, and GBP – SGD exchange rate. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each balance sheet date. There were no HKD denominated balances as at 30 September 2011.

If the GBP had weakened against the RMB, USD and SGD by 2% (2010:3%), 3% (2010: 3%) and 2% (2010:2%) respectively, then this would have had the following increase /(decrease) in the net result for the year and equity.

	As at 30 September 2011			As at 30 September 2010			
	£			£			
	RMB	USD	SGD	RMB	HKD	USD	SGD
	+2%	+3%	+2%	+3%	+4%	+3%	+2%
Net result for the year	26,285	19,252	134	(37,343)	3,750	(23,589)	389
Equity	26,285	19,252	134	(37,343)	3,750	(23,589)	389

If the GBP had strengthened against the RMB, USD and SGD by 2% (2010:2%), 2% (2010:2%) and 2% (2010:2%) respectively, then this would have had the following increase /(decrease) in the net result for the year and equity.

As at 30 September 2011 As at 30 September 2010

	As at 30 September 2011			As at 30 September 2010			
	£			£			
	RMB	USD	SGD	RMB	HKD	USD	SGD
	-2%	-2%	-2%	-2%	-2%	-2%	-2%
Net result for the year	(26,285)	(12,835)	(134)	24,895	(1,875)	15,726	(389)
Equity	(26,285)	(12,835)	(134)	24,895	(1,875)	15,726	(389)

Company

The Company is not exposed to foreign currency risk as all of the transactions during the year are denominated in GBP.

Notes to the Financial Statements

26. FINANCIAL INSTRUMENTS (continued)

26.2. Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposure on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 30 September 2011, there are no outstanding interest-bearing short-term borrowings.

The Group is also exposed to cash flow interest rate risk in relation to the fluctuation of the prevailing market interest rate on interest-bearing financial assets and financial liabilities. Interest-bearing financial assets are mainly balance with banks, which are short term in nature.

The Group's interest rate risk arises from interest-bearing financial liabilities that mainly are short-term borrowings arrangements. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rate for non-derivative instruments at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

Group

	As at 30 September 2011 Change in interest rate		**As at 30 September 2010 Change in interest rate**	
	+1%	**-1%**	**+1%**	**-1%**
	£	**£**	**£**	**£**
Cash and banks	37,353	(21,170)	54,239	(26,376)
Loan and borrowings	-	-	(32,885)	32,885
	37,353	(21,179)	21,354	6,509

As at 30 September 2011, if interest rates had been 100 basis points higher/lower and all other variables were held constant, this would increase/(decrease) the Group's profit after tax and retained earnings by approximately GBP37,353 /GBP(21,179) (2010: increase by GBP21,354/GBP6,509)

Notes to the Financial Statements

26. FINANCIAL INSTRUMENTS (continued)

26.2. Interest rate sensitivity (continued)

Company

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the company's financial instruments held as at the balance sheet date. All other variables are held constant.

	As at 30 September 2011		As at 30 September 2010	
	Change in interest rate		Change in interest rate	
	+1%	-1%	+1%	-1%
	£	£	£	£
Cash and banks	686	(31)	7,391	(9)
Loan and borrowings	-	-	(18,760)	18,760
	686	(31)	11,369	18,751

26.3. Credit risk

The Group's maximum exposure to credit risk in the event of the counter parties failure to perform their obligations as at 30 September 2011 in relation to each class of recognised financial assets is the carrying value of those assets as stated in the consolidated balance sheet, as summarised below:

Group

	As at 30 September 2011	As at 30 September 2010
	£	£
Trade and other receivables	1,670,443	1,578,877
Amount due from related company	-	301,625
Amount due from director	6,155,498	5,775,770
Cash and cash equivalent	3,520,838	5,664,954
	11,346,779	13,321,226

The Group's credit risk is primarily attributable to trade receivables. In order to minimise the credit risk, the management of the Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

In addition, the Group reviews the recoverable amount of each individual trade and other debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The credit risk on liquid funds is considered negligible because the counterparties are banks with high credit ratings.

All trade receivables as at 30 September 2011 are current.

26. FINANCIAL INSTRUMENTS (continued)

26.3 Credit risk (continued)

Company

	As at 30 September 2011	As at 30 September 2010
	£	£
Trade and other receivables	4,510,531	2,804,607
Cash and cash equivalent	68,552	734,853
	4,579,083	3,539,460

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure.

26.4. Liquidity risk analysis

Group

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities.

Cash flows are closely monitored on an ongoing basis. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term and short-term financial liabilities as well as cash-outflows due in day- to-day operation. Capital investments are committed only after confirming the source of funds; e.g. securing long-term financial facilities. Liquidity needs are monitored in various time bands, on a day-to-day basis, as well as on the basis of a rolling one month and three months projection. Long term liquidity needs for a 360-day lookout period are identified in the year-end budget.

Sorbic maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings from time to time and is of the opinion that most of the bank borrowings can be renewed based on the strength of the Group's earnings and asset base.

Any repayments for amounts due to related parties or shareholders are negotiated so as not to jeopardise the working capital requirement of the Group. To date, such related parties and shareholders has expressed continued support to the Group.

Notes to the Financial Statements

26. FINANCIAL INSTRUMENTS (continued)

26.4 Liquidity risk (continued)

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

As at 30 September 2011

	Less than 1 month	Less than 3 months	3 to 12 months	Total
	£	£	£	£
Interest bearing loans and borrowings	-	-	-	-
Trade and other payables	537,417	51,390	130,813	719,620
Amount due to shareholders and directors	-	-	8,571,774	8,571,774
Amount due to related companies	-	-	-	-
	537,417	51,390	8,702,587	9,291,394

This compares to the maturity of the Group's financial liabilities in the previous reporting periods as follows:

As at 30 September 2010

	Less than 1 month	Less than 3 months	3 to 12 months	Total
	£	£	£	£
Interest bearing loans and borrowings	470,840	941,680	-	1,412,520
Trade and other payables	488,216	85,695	436,602	1,010,513
Amount due to shareholders and directors	282,504	376,672	7,278,366	7,937,542
Amount due to related companies	1,936	6,699	426,177	434,812
	1,243,496	1,410,746	8,141,145	10,795,387

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

Notes to the Financial Statements

26. FINANCIAL INSTRUMENTS (continued)

26.4 *Liquidity risk analysis* (continued)

Company

As at 30 September 2011, the Company's liabilities have contractual maturities which are summarised below:

	Less than 1 month	Less than 3 months	3 to 12 months	Total
	£	**£**	**£**	**£**
Trade and other payables	39,258	17,606	588,764	645,628
Amount due to shareholders and directors	-	-	-	-
	39,258	17,606	588,764	645,628

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

As at 30 September 2010

	Less than 1 month	Less than 3 months	3 to 12 months	Total
	£	**£**	**£**	**£**
Trade and other payables	43,487	39,878	478,866	562,231
Amount due to shareholders and directors	1,935	6,699	332,435	341,069
	45,422	46,577	811,301	903,300

(note: the financial liabilities amount shown above did not include tax liabilities payables)

26.5. Carrying value of financial assets and liabilities

The fair value of financial assets and financial liabilities approximates their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.5%.

27. CONTROLLING PARTY

Sorbic International is a public listed company with Prime Mega International Ltd holding 52.3% and Albany Capital Group Limited 17.7% as the two largest shareholders.

Notes to the Financial Statements

28. PARENT COMPANY RESULTS

No income statement has been prepared for the parent company as allowed by section 408 of the Companies Act 2006. The Company has made a net loss of £653,371 for the period ended 30 September 2011 (2010:Loss £468,447).

29. CONTINGENT LIABILITY

The Company disclosed in its financial statements for the year ended 30 September 2009 that a contingent liability of up to £1 million may be due arising from the acquisition of LVST.

In order to resolve the position, a loan of RMB50.8 million (£5.1 million) was made by Wang Yan Ting ("WYT"), a director and shareholder in Sorbic International plc and the former owner of LVST to LVST, and a contribution of the same amount was made by WYT to Honour Field International Limited ("HF"). These amounts are repayable on demand. Since the legal agreements relating to the set off of the above transactions have not been executed at the date of statement of financial position, the amounts due to and due from WYT are included in other payables and other receivables respectively.

As a result of the arrangements, there is no contingent liability at the date of statement of financial position.

30. POST BALANCE SHEET EVENT

On 22 February 2012, the Company announced that approximately £0.7 million before expenses had been raised through the issue of 6,491,051 Ordinary shares of £0.06 each for a consideration of £0.11 per share.

On the same date, the Company also announced it had secured an additional £1.5 million in short term bank finance in China, which will be used for the continued development of the Company's new factory in Inner Mongolia. This debt is repayable in November 2012.

Notice of Annual General Meeting

SORBIC INTERNATIONAL PLC

(Incorporated in England and Wales with registered number 06280431)

Registered office:
49 Whitehall
London SW1A 2BX

Date: 23rd February 2012

To all shareholders

Notice of Annual General Meeting

Dear Shareholder,

The Annual General Meeting ("**Meeting**") of Sorbic International plc (the "**Company**") is due to take place on 28th March 2012 **at 10.30 a.m.** at Stephenson Harwood, 1 Finsbury Circus, London, EC2M 7SH..

The Meeting is being held to comply with company law requirements and to pass a standard set of shareholder resolutions. You will be given the opportunity to raise any questions in relation to such resolutions at the Meeting.

Resolution 7 and 8 are proposed as special resolutions, which means that for each resolution to be passed, at least three quarters of the votes cast must be in favour of that resolution.

Resolution 7 renews the Directors' authority to allot equity securities for cash, without the need first to offer such shares to existing shareholders. The proposed limit on the nominal value of ordinary shares that may be allotted for cash or sold is £347,071.49 which represents 15% of the nominal value of the issued ordinary share capital as at 22nd February 2012 (being the latest date prior to the publication of this Notice).

Resolution 8 authorises the Directors to reduce the Company's share capital by cancelling part of the share premium account. The purpose of which is to eliminate the deficit on the Company's profit and loss account. As at 30 September 2011, the Company has fund standing to the credit of its Share Premium Reserve in excess of £21,836,795. The Company can only apply the reserves in the Share Premium Account for limited purposes. In particular, it cannot be used for the purpose of paying dividends. However, with the sanction of a special resolution of shareholders and the confirmation of the High Court, the share premium account may be cancelled and set against the deficit on the Company's profit and loss account, thus eliminating the deficit and bringing forward the time at which the Company may pay dividends in the future, should its profits permit the Company to do so.

Recommendation
The Directors of the Company consider that all the proposals to be considered at the Meeting are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors unanimously recommend that you vote in favour of all the proposed resolutions, as they propose to do in respect of their own holdings in the share capital of the Company.

Yours sincerely,
John McLean
Chairman

SORBIC INTERNATIONAL PLC

(Incorporated in England and Wales with registered number 06280431)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Sorbic International plc (the "**Company**") will be held at the offices of Stephenson Harwood, 1 Finsbury Circus, London, EC2M 7SH on 28th March 2012 **at 10.30 a.m.** for the purpose of considering and, if thought fit, passing the following resolutions, resolutions 1 to 6 being proposed as ordinary resolutions and resolution 7 and 8 being proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To re-appoint, pursuant to Article 192 of the Company's Articles of Association, Crowe Clark Whitehill LLP as auditors of the Company until the conclusion of the next Annual General Meeting.

2. To authorise the Directors to fix the auditors' remuneration.

3. To re-elect, as a director of the Company, Mr Wang Yan Ting, who retires by rotation in accordance with Article 127 of the Company's Articles of Association and is eligible for re-election in accordance with Article 129 of the Company's Articles of Association.

4. To re-elect, as a director of the Company, Mr Ng Shin Ju Ryan who retires by rotation in accordance with Article 127 of the Company's Articles of Association and is eligible for re-election in accordance with Article 129 of the Company's Articles of Association.

5. To receive and adopt the Company's annual accounts for the financial year ended 30 September 2011, together with the Directors' report and auditors' report on those accounts.

6. To generally and unconditionally authorise the directors to allot shares in the Company and/or grant rights to subscribe for, or to convert any security into shares in the Company in accordance with section 551 of the Companies Act 2006, provided that this authority shall be limted to:

    a. Allotment of shares in the Company to be issued in connection with the conversion of A Notes and B Notes pursuant to the convertible loan note instruments executed by the Company on 27 August 2010 and 25 February 2011 respectively, up to an aggregate allotment of 9,376,923 ordinary shares in the Company; and

    b. In addition to the authority conferred pursuant to sub paragraph 6(a) above) shares in the Company up to an aggregate nominal value not exceeding £771,269.98

and provided also that such authority shall expire at the conclusion of the next annual general meeting of the Company to be held in 2013 save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares in the Company to be allotted, or rights to subscribe for, or convert any security into shares in the Company to be granted after such expiry and the directors may allot shares in the Company and/or grant rights to subscribe for or to convert any security into shares in the Company in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Notice of Annual General Meeting

SPECIAL RESOLUTION

7. Subject to the passing of resolution 6 above and in accordance with section 570 of the 2006 Act, the Directors be generally empowered to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 6 above, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

   a. Up to an aggregate allotment of 9,376,923 ordinary shares in the Company to be issued in connection to the conversion of A Notes and B Notes as describe in resolution 6 above; and

   b. (in addition to the authority conferred pursuant to sub-paragraph 7(a) above, the allotment of equity securities up to an aggregate nominal amount £347,071.49 and

   Expire on the earlier of the conclusion of the next following Annual General Meeting of the Company or the date falling fifteen months from the date of passing this resolution (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

8. The Directors be generally empowered to reduce the share capital of the Company by cancelling up to the sum of £4,000,000, standing to the credit of the share premium account of the Company, subjected to the court order made on the hearing of the claim for confirmation of the reduction.

By Order of the Board
John McLean
Chairman
Registered office:
49 Whitehall

London SW1A 2BX

Date: 23rd February 2012

Notice of Annual General Meeting

NOTES

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 at 10.30 a.m. on 26th March 2012 or, if this Meeting is adjourned, at 10.30 a.m. on the day two days prior to the adjourned 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, it will be necessary to notify the registrar in accordance with Note 6 below.

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 Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY; and
   - received by Computershare Investor Services PLC no later than 10.30 a.m. on 26 March 2012.

   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).

Notice of Annual General Meeting

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 Computershare Investor Services PLC. 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 by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. 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. The revocation notice must be received by Computershare Investor Services no later than 10.30 a.m. on 26th March 2012. 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 5.00 p.m. on 22nd February 2012, the Company's issued share capital comprised 38,563,499 ordinary shares of 6 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on 22nd February 2012 is 38,563,499.

Communication

11. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted); calling the shareholder helpline of Computershare on 0870 707 1607.

    You may not use any electronic address provided either in this notice of general meeting, or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

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