

Regulatory Announcement

Go to market news section

Company	FuturaGene PLC
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FUTURAGENE PLC

Preliminary results for the year ended December 31 2005

Focus on development of value-adding intellectual property for the agri-bio industry

Discussions with potential partners continue

FuturaGene, which develops environmentally friendly solutions that enable plants to grow in hostile conditions and stabilize and improve crop yields, today reports preliminary results for the year ended December 31, 2005.

Highlights

- Pre-tax loss of £1.2 million (2004: Loss £1.055 million)
- Basic loss per share of 3.6p (2004: Loss 4.8p)
- Cash at period end in excess of £5 million
- Strategic focus on applied research to existing IP portfolio
- Progress on in-licensing new technologies
- 20 new discoveries under evaluation
- Master licence with second Chinese university
- New 10-year business licence obtained in China
- Discussions with partners for commercialisation of Osmotin initiated
- Non-executive director appointments
- No dividend is proposed

FuturaGene has worldwide exclusive licences over patents on genes capable of improving yields for crops facing the impact of cold, high salt concentrations and drought, known as abiotic stresses. FuturaGene's portfolio of genes improves the ability of crops to withstand these pressures by enhancing the function of genes already natural to the plant, through over expression of these genes.

FuturaGene's business model is to add value to its technology portfolio by taking gene discoveries as far down the development path as possible, and then bring them to market via out-licensing partnerships with market leading agricultural-biotech companies.

Mark Pritchard, Chairman, commented: 'FuturaGene has made important progress over the past year. With the addition of Huazhong Agricultural University in Wuhan City, China, we now have agreements with six major universities in the US, Europe and China and are looking for further opportunities to increase this network.

'We have added to our intellectual property portfolio via in-licensing technologies thought to be responsible for regulating gene expression and for improving yield performance under abiotic stress and continue discussions with major agricultural-biotech companies about out-licensing our technology.

'The company's cash position continues to be secure and we believe that the combination of being a high quality research resource with a low corporate cost base remains compelling.

'We remain optimistic both about the industry and the long term prospects for FuturaGene. Our discussions with potential commercial partners continue on a number of fronts. We are pleased with the progress being made on this important element of value creation for the company and are confident that the company will make good progress over the coming year.'

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Notes

FuturaGene is committed to the research and development of environmentally friendly solutions to solve crop production problems.

FuturaGene Plc. sponsors research at a consortium of universities to develop knowledge and create intellectual property that is essential to the development of crop species with enhanced agronomic characteristics including tolerance to a variety of environmental stress such as salt, drought and cold conditions. FuturaGene has established contracts with several universities for the exclusive global commercial rights on a suite of utility and provisional patents.

The Group's technology comprises of a licensed patented portfolio of genes which enhance the function of genes already present in the plant through over expression of these genes. FuturaGene has identified genes which confer enhanced tolerance and enable plants to withstand extreme environmental stresses such as cold, drought, fungal pathogens and high salt concentrations.

The total global market value of biotech crops in 2005 was estimated to be \$5.25 billion. The total global area of biotech crops in 2005 was some 222 million acres, an annual increase of 11% over 2004.

Chairman's Report

Introduction

The past year has been a challenging one for FuturaGene, but one that has seen the Company make important progress. After a management restructuring late last year we have re-evaluated our business strategy and refocused our efforts to establish ourselves as a leading source of value added genetic material to the agri-bio industry.

Financial Results

Overall the loss for the year was £1.2 million (2004: £1.055m) representing a loss per share of 3.6p (2004: 4.8p). The share placings that took place in February and June 2005 has meant that the Company's financial position remains secure with cash balances as at 31st December 2005 being in excess of £5m.

The current burn rate, which includes the costs of small teams in the UK, USA and China (for part of the year), patent and associated legal costs, scientific fees and consultancy, remains modest in view of our breadth of operation and nature of our business.

Business Model and Core Activities

The business model of developing relationships with major universities and research centres worldwide in order to acquire high quality intellectual property continues to be the focus of the business. We now have agreements with six major universities in the US, Europe and China and are actively looking to increase this network. We believe that the combination of high quality research resource and a low cost corporate base remains compelling.

The core activity of the Company continues to be the acquisition, development and commercialisation of intellectual property in the field of agricultural biotechnology. During the year we have made progress in expanding our IP portfolio by in-licensing new technologies such as Kidari, rice micro-RNA and mir397 a and b.

A miRNA is thought to regulate the expression of other genes. The work performed in rice has identified over 13 new miRNAs and it has been predicted that these miRNAs may target over 46 individual genes and play a role in diverse physiological processes. The mir397 a and b, have shown to improve abiotic stress, especially salt stress, by targeting specific genes, and may also play a role in freezing tolerance. These new technologies, especially mir 397 a and b, are the result of research conducted by a member of our scientific advisory board. In addition to these, we are also evaluating more than 20 new discoveries as a consequence of our master license agreements with various academic institutions in China.

In the course of the recent business evaluation process it was decided to increase the R&D focus on our existing IP portfolio in order to provide greater specificity of data at the applied research level. By necessity this will result in a lower commitment to fund more basic research.

Licensing Opportunities

Commercialisation of biocrops is a long, complicated and expensive process. Moving from initial discovery and identification of gene traits in model plant systems, to producing commercial seeds, involves extensive and expensive testing beyond the resources or commercial rationale of our company. It is for this reason that the optimum route to market is seen to be in partnership with an existing established companies in the sector.

The FuturaGene business model for valuation creating is to add value to its technology portfolio by taking gene discoveries as far as we can down the development path. We intend to seek out partners for the final stages of commercialisation and to help us through the regulatory process.

We have attracted interest from major agricultural-biotech companies from around the world for specific applications of our technology and these discussions are on-going. In addition to our core technology, there is also considerable interest in other aspects of our company such as our IP acquisition model, and our ability to perform contract research at our partner institutions in China, as well as in the U.S.

The Market for Agricultural Biotechnology

The adoption of bio-engineering technology by global agriculture continues apace. More than 20 countries, including India, China, Iran and South Africa now accept biotech crops. Even within Europe, Spain, Portugal, Germany, France and Czech Republic have recently started limited biotech crop trials.

Over 1 billion acres of bio-engineered crops have been planted to date and annual growth rates of new areas being planted remain in double digits.

Significantly, the rise in the deployment of bio-engineered crops has been accompanied by a marked worldwide reduction in the use of pesticides, with a measurable environmental benefit.

As a whole, the industry remains confident that the growth in the adoption of biotech crops will be sustained for the foreseeable future. Indeed as the new input and output traits (such as those FuturaGene are currently working on) are commercially developed the global market should expand still further particularly when the combination or stacking of such traits start to meet the multiple needs of consumers and produces.

With much attention now being focused on biofuels as a potential major source of renewable energy, global agriculture could be entering a new phase of sustained demand. We believe that genetic engineering has an extremely important role to play in more efficient, more economic biomass production.

China

Our presence in China is a significant strategic asset. Building on our relationship with China Agricultural University we have recently entered into a master licence agreement with Huazhong Agricultural University.

Huazhong Agricultural University is one of the national key universities and is home to both the National Key Laboratory of Crop Genetic Improvement and the National Centre of Crop Molecular Breeding. It is located in Wuhan City, capital of Hubei Province. The research team at Huazhong featured prominently in the development of genetically modified rice that has already been approved for release in China, as well as the development of marker aided selection that is now being used to pyramid genes to improve disease and insect resistance in hybrid rice cultivars.

During the year we have also been working hard in order to set up a subsidiary in Beijing. We had already received a temporary business licence to operate in China but a major step on our development path was achieved in January 2006 when FuturaGene Beijing was awarded an official 0-year business licence.

The development of our core technology continues apace in China. We have succeeded in triple stacking a combination of our patented genes in prototype plants and have now have over expressed various genes in cotton, maize, peanut, cucumber, poplar and turfgrass.

Human Health

Last year I reported the creation of a human health division to capitalize on the licence we obtained from Purdue University for the plant protein Osmotin and at the half year I said that we were in the process of developing a research and commercialisation plant to bring Osmotin to market. This plan is now completed and we are currently in discussions with possible partners on how best to take this project forward to the next phase.

The Board

We have moved to strengthen the Board of the Company. Peter Toynton, FCA joined the Board earlier this year as a non-executive and will specifically oversee the finance functions within the Company. Peter has considerable experience with small rapidly growing public companies having held the position of Group Finance Director of the media and communication company Tempus PLC.

I am also delighted to announce that Dr Mike Fromm has joined the board as a non-executive director. Mike is currently director of the Center for Biotechnology and professor of agronomy at the University of Nebraska Lincoln and prior to this had a successful career in the biotechnology industry at Monsanto, Mendel Biotechnology and Panakos. In his seven years as director of biotechnology and plant genomics at Monsanto (1990-97), Mike initiated the company's plant genomics program and headed the research team that developed genetically-modified 'Roundup Ready' corn and 'Yieldgard' corn, the Bt corn resistant to corn borers.

Finally, I am pleased to announce that Kannan Grant, who was made an executive director last June, has been appointed Chief Executive Officer of FuturaGene Inc.

Outlook

We remain optimistic both about the industry and the long term prospects for FuturaGene. We are excited about the range of possibilities across our unique technology portfolio which we continue to build and develop. We are also excited at the prospective of forging and sustaining new partnerships and alliances with other world renowned scientists and universities, and making use of the resulting intellectual property we acquire for the benefit of our shareholders through its commercialisation. We continue to see new opportunities for our intellectual property. So, for example, the rise in interesting biofuels and the concern about the ability to grow sufficient crops to fulfill demand at economic prices is attractive for a business like ours which has the technology to enable crops to grow successfully in unwelcoming environments. We are fully evaluating the opportunities.

Our discussions with potential commercial partners continue on a number of fronts. We are pleased with the progress being made on this important element of value creation for the Company and are confident that the company will make good progress over the coming year.

M.A Pritchard, Chairman

London, June 26, 2006

Consolidated Profit & Loss Account for the year ended 31 December 2005

	Note	2005 £000	2004 £000
Turnover		-	37
Administration expenses		(1,367)	(1,112)
		-----	-----
Operating loss		(1,367)	(1,075)
Interest receivable and similar income	1	143	20
		-----	-----
Loss on ordinary activities before taxation		(1,224)	(1,055)
Taxation credit on loss on ordinary activities	2	-	-
		-----	-----
Loss for the year for group		(1,224)	(1,055)
		=====	=====
Loss per ordinary share – basic	3	(3.6p)	(4.8p)
- diluted		(3.3p)	(4.1p)

A note on historical gains or losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

The results stated above for 2004 are derived from acquired operations. There were no acquisitions or disposals in the current year.

Consolidated statement of total recognized gains and losses

Loss for the year for group		(1,224)	(1,055)
Exchange movement on overseas net assets		324	37
		-----	-----
Total recognized loss in the year		(900)	(1,018)
		=====	=====

Consolidated balance sheet
As at 31 December 2005

	2005	2005	2004	2004
	£000	£000	£000	£000
Fixed Assets				
Intangible assets		7,060		7,442
Tangible assets		21		11
Current assets				
Debtors	10		85	
Cash at bank and in hand	5,180		1,020	
	-----		-----	
	5,190		1,105	
Creditors: amounts falling due within one year	(510)		(1110)	
	-----		-----	
Net current assets		4,680		995
		-----		-----
Total assets less current liabilities		11,761		8,448
Creditors: amounts falling due after more than one year		(200)		(200)
		-----		-----
Net assets		11,561		8,248
		=====		=====
Capital and reserves				
Called up share capital		176		163
Share premium account		15,720		11,520
Shares to be issued		1,140		1,140
Capital redemption reserve		2,415		2,415
Merger reserve		(844)		(844)
Profit and loss account		(7,046)		(6,146)
		-----		-----
Equity shareholders' funds		11,561		8,248
		=====		=====

These financial statements were approved by the Board of Directors and authorized for issue on June 26 and were signed on its behalf by:

Mark Pritchard
Director

Peter Toynton
Director

	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets				
Investments		7,675		7,500
Current assets				
Debtors	3,915		1,187	
Cash at bank and in hand	2,184		744	
	-----		-----	
Net current assets		5,779		1,919
		-----		-----
Total assets less current liabilities		13,454		9,419
		-----		-----
Creditors: amounts falling due after more than one year including convertible debt		(200)		(200)
		-----		-----
Net assets		13,254		9,219
		=====		=====
Capital and reserves				
Called up share capital		176		163
Share premium account		15,720		11,520
Shares to be issued		1,140		1,140
Capital redemption reserve		2,415		2,415
Profit and loss account		(6,197)		(6,019)
		-----		-----
		13,254		9,219
		=====		=====

These financial statements were approved by the Board of Directors and authorized for issue on June 26 and were signed on its behalf by:

Mark Pritchard
Director

Peter Toynton
Director

Consolidated cash flow statement
for the year ended 31 December 2005

Cash flow statement	2004 £000	2003 £000
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Cash outflow from operating activities	(179)	(966)
Returns on investments and servicing of finance	143	20
Capital expenditure	(17)	(2)
Acquisitions	-	(260)
	-----	-----
Cash outflow before financing	(53)	(1,280)
Financing	4,213	2,200
	-----	-----
Increase in cash in the year	4,160	992
	-----	-----
Reconciliation of net cash flow to movement in net funds		
Increase in cash in the year	4,160	992
Loan received during the year	-	(175)
	-----	-----
Movement in net funds in the year	4,160	817
Net funds at the start of the year	820	3
	-----	-----
Net funds at the end of the year	4,980	820

Reconciliations of movements in shareholders' funds
for the year ended 31 December 2004

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Loss for the financial year	(1,224)	(1,055)	(178)	(57)
Shares to issue	-	1,140	-	1,140
Increase in share capital	4,213	8,105	4,213	8,105
Exchange movement on overseas net assets	324	37	-	-
	-----	-----	-----	-----
Net Increase in shareholders' funds	3,313	8,227	4,035	9,188
Opening shareholders' funds	8,428	21	9,219	31
	-----	-----	-----	-----
Closing shareholders' funds	11,561	8,248	13,254	9,219
	=====	=====	=====	=====

Notes
(forming part of the financial statements)

1 Interest receivable and similar charges

	2005 £000	2004 £000
Bank interest	143	20
	=====	=====

2 Taxation

	2005 £000	2004 £000
Analysis of charge in period		
UK and overseas corporation tax		
Current tax on income for the period	-	-
	-----	-----
Total current tax	-	-
	-----	-----
Tax on loss on ordinary activities	-	-
	=====	=====

Factors affecting the tax charge for the period

The current tax charge for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005 £000	2004 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(1,224)	(1055)
	-----	-----
Current tax at 30% (2004: 30%)	(367)	(316)
Effects of:		
Depreciation and expenses not deductible for tax purposes	7	5
Increase in tax losses	360	311
	-----	-----
Total current tax charge (see above)	-	-
	=====	=====

At 31 December 2005 Futuragene Inc had net operating losses to carry forward of £1,400,000 for federal income tax purposes which expire beginning in 2021. The

deferred tax asset on these tax loss of £588,000 has not been recognized due to the uncertainty of recovery.

Notes (continued)

3 Loss per share

	2005 Pence	2004 Pence
Loss per ordinary share		
- Basic	(3.6)	(4.8)
- Diluted	(3.3)	(4.1)

Loss per ordinary share is based on the Group's loss for the financial year of £1,244,000 (2004: £1,055,000)

The weighted average number of shares used in the calculation are – basic 34,324,283 (2004: 21,829,146); diluted 37,464,283 (2004: 25,476,687).

4 Annual Report and Accounts and Annual General Meeting

Copies of the Annual Report and Accounts will be posted to shareholders on June 26, 2006 and copies will be available at the Company's offices at 1, Bridge Place, London SW1V 1QA.

The Annual General Meeting of the Company will be held at the offices of Jeffreys Henry LLP, Finsgate, 5-7 Cranwood Street, London EC1V 9EE on 19th July 2006 at 9.00 am.

5 Basis of Preparation

The financial information set out in the announcement does not constitute the company's statutory financial statements within the meaning of section 240 of the Companies Act 1985, for the years ended 31 December 2005 or 2004. The statutory financial statements for the year ended 31 December 2005 will be finalized and signed on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's Annual General Meeting. The results for the year ended 31 December 2004 have been extracted from the full statutory financial statements for that year which have been delivered to the Registrar of Companies, on which the auditors have given an unqualified report, and which do not contain a statement under sections 237(2) or (3) of the Companies Act 1985. This announcement is prepared on the basis of the accounting policies as stated in the previous year's financial statements. This preliminary announcement was approved by the Board of directors on 26 June 2006.