

Regulatory Announcement

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Company FuturaGene PLC
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FuturaGene PLC

FUTURAGENE PLC (âEuro ?FuturaGeneâEuro • or âEuro ?the CompanyâEuro •)

Interim accounts for the six months ended 30 June 2006

29 September 2006

FuturaGene Plc, which develops environmentally friendly solutions that enable plants to grow in harsh conditions and to stabilise and improve crop yields, today reports interim results for the half-year ended 30 June 2006.

Highlights

- Pre-tax loss of £873,000 (2005: loss £578,000)
- Basic loss per share 2.12p (2005: loss 1.57p)
- Cash at end of period of £4.7 million
- Applied research agreement with China Agricultural University (CAU)
- CAU development of cotton crop prototype with low water appetite
- Letter of intent for Osmotin signed with major pharma company

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. FuturaGeneâEuro ?s portfolio of genes improves the ability of crops to withstand these pressures by enhancing the function of genes already present in the plant, through over expression of these genes.

FuturaGeneâEuro ?s aim is to bring to market products based on its research, via partnerships with market leaders and discussions are continuing with commercial entities for the possible out licensing of its technology.

Mark Pritchard, Chairman, commented:

âEuro ?Our strategic relationships in China are important to the Company, both for the establishment of a research pipeline and for the development and testing of prototype crops. We have now signed an agreement with China Agricultural University which, using our technology, aims to develop crops which will combine resistance to both salt and drought. We believe that the outcome of the project will be of great value in supporting our commercialisation efforts with potential industry partners. .

“We remain very confident about the Company and its prospects. In line with our strategy we continue to review opportunities for out licensing the Company’s unique intellectual property and will look for new opportunities to expand our intellectual property portfolio through additional in licensing as well as identifying new applications of our existing portfolio. The research initiative in China is an important step in moving the focus of the Company closer to the marketplace and marks the start of moving our technology from research to production.”

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CHAIRMAN’S STATEMENT

Interim accounts for the six months ended 30 June 2006

Introduction

FuturaGene continues with its broad research programme to improve agricultural production by identifying and developing genes that confer useful traits in plants such as drought tolerance, salt tolerance, freezing and chilling tolerance and disease resistance.

As the global population continues to increase and the availability of arable land per capita declines, the need to create directed performance improvements in the production of food, fibre, feed, and horticulture continue to be of fundamental importance.

The key to this is the need to increase the sustainability of agricultural practices, particularly in relation to water usage. In a recent assessment of water management, the Consultative Group on International Research in Agriculture (CGIAR) predicts that demand for cereal crops could double within the next 30 years. With agriculture accounting for an estimated 95% of human water use, demand for water is also set to double. This is clearly not sustainable. Whilst improved water management is important in addressing this problem, the key is to grow more food with less drinkable water.

FuturaGene is specifically addressing water usage in two areas. One is on-going work to identify specific genes which confer drought tolerance; the other is in working on engineering crops to exhibit salt tolerance traits which could survive irrigation with brackish water. If crops could survive on brackish water it could open up vast new areas of land for cultivation.

We believe that discoveries in regard to these traits could significantly increase the value of commercial crop species when these engineered improvements are incorporated into commercial hybrids. The state of the technology is now such that combinations of these traits can also be engineered, further increasing the value of the crop species.

Financials

The unaudited financial results for the six months to 30 June 2006 revealed an operating loss of £873,000 (see note 2) compared with a loss of £578,000 in the same period last year. The basic loss per share is 2.12p and on a fully diluted

basis is 2.06p. No dividend is being declared.

The cash position as at June 30 2006 was £4.7 million.. Our operational burn rate remains modest for a company with such a range of activities, due to the business model we employ.

China

Our operations in China remain of strategic importance to the Company both as a research pipeline for new discoveries and as a development and testing facility for prototype crops.

We are pleased to announce that the company has entered into an applied research agreement with one of its strategic partners, China Agricultural University (CAU). The major goal of the project is to better improve plant productivity under salt and drought stress by using different combinations of FuturaGene's technology. The project, under the direction of Dr. Gong Zhizhong, the Dean of Biological Sciences at CAU, will utilise FuturaGene's portfolio of genes, currently verified in model plants, to enhance abiotic protection in major global crops such as corn and rice.

The tangible outcome from the project such as the trial data, gene delivery mechanisms, and seeds, will be used to validate FuturaGene's technology and we expect this to be of great value in supporting our commercialisation efforts with potential industry partners. The 18 month project will cost a total of US\$1 million with a cost share of US\$750,000 from the government of the People's Republic of China.

FuturaGene and CAU signed a Master License Agreement in 2005. China Agricultural University is the leading agricultural education and research institution in China. CAU is also working on developing cotton crop prototypes incorporating our technology to significantly decrease water usage and has already started preliminary field trials.

Out Licensing

As I have previously commented, it is the committed strategy of FuturaGene to seek to develop and prove its technology as far down the development curve as possible as we believe that this is the best way to maximise shareholder returns. This is the rationale for our new research contract with CAU, which your directors believe will enable us to clearly demonstrate the utility of our technology in commercial products with huge potential global markets. Because of its direct connection with the human food chain this is a long term business where rigorous safety testing is paramount and, as a result, definitive results could be some years away.

We have recently signed a letter of intent with a major pharmaceutical company concerning the out-licensing of Osmotin, a plant protein which has shown early promise as a therapeutic agent for the treatment of obesity and diabetes. We will keep shareholders informed about any future developments.

New Markets

We continue to assess the commercial landscape for applications of our technology to determine segments where we can best enhance value. Our discoveries have the potential to do so in a number of areas such as forestry, floriculture and horticulture.

FuturaGene also sees an emerging market for its portfolio of licensed genes in the area of biofuels. With technology that enables plants to grow in less than ideal environmental conditions, we believe that there is a large unmet market need for energy crops that can be cultivated in marginal land. Indeed, in the longer term the use of bioengineering could unlock the true potential of energy

crops. Being able to utilise marginal lands and more effectively manage water resources through biocrops specifically engineered for purpose, could significantly reduce feedstock costs and radically alter the economic viability of biofuels.

Future

We remain very confident about the Company and its prospects. In line with our strategy we continue to review opportunities for outlicensing the company's unique intellectual property and will look for new opportunities to expand our intellectual property portfolio through additional in licensing as well as identifying new applications of our existing portfolio. The research initiative in China is an important step in moving the focus of the Company closer to the marketplace and marks the start of moving our technology from research to production.

Mark Pritchard
Chairman
29 September 2006

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FUTURAGENE PLC

Consolidated Profit & Loss Account for the six months ended 30 June 2006

	Note	Unaudited 6 months ended 30 June 2006
		£âEuro
Turnover		-
Administration expenses:- Continuing		(873)
Operating Loss		(873)
Other interest receivable and similar income		92
Loss on ordinary activities before taxation		(781)
Tax credit on loss on ordinary activities		-
Loss on ordinary activities after taxation		(781)
Dividends		-
Retained loss for the period		(781)
Earnings per ordinary share - basic	2	(2.12p)
- diluted	2	(2.06p)

There were no recognised gains or losses other than those recognised in the profit and loss
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FUTURAGENE PLC

Consolidated Balance Sheet as at 30 June 2006

Unaudite
6 month
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30 June 200

	Note	£âEu
FIXED ASSETS		
Tangible Assets		37
Goodwill		6,868

		6,905

CURRENT ASSETS		
Debtors		14
Cash at bank and in hand		4,694

		4,708
Creditors: amounts falling due within one year		(561)

Net current assets		4,147

Total assets less current liabilities		11,052
Creditors: amounts failing due after more than one year including convertible debt		(200)

NET ASSETS		10,852
		=====
CAPITAL AND RESERVES		
Called up share capital	3	189
Share premium account		16,704
Capital redemption reserve		2,415
Share capital to be issued		143
Merger reserve		(844)
Profit and loss account		(7,755)

Equity ShareholdersâEuro ? Funds		
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FUTURAGENE PLC

Consolidated Cash Flow Statement
for the six months ended 30 June 2006

Unaudited
6 months
ended

30 June 2006

	Note	£âEur
Cash inflow/(outflow) from operating activities	4	(558)
Returns on investments and servicing of finance		92
Taxation		-
Capital expenditure		(26)
Proceeds from disposal of fixed asset		6
Financing: Share issues		-
Cash (decrease)/increase in the period		(486)

Reconciliation of net cash flow to movement in net funds

	Unaudited 6 months ended 30 June 2006
	£âEur
(Decrease)/increase in cash in the period	(486)
Net funds at start of the period	4,980
Net fund at the end of the period	4,494
Net funds consist of:	
Cash at bank	4,694
Debt due after more than one year	(200)
	4,494

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FUTURAGENE PLC

Reconciliation of movement in ShareholdersâEuro ? Funds
for the six months ended 30 June 2006

	Unaudited 6 months ended 30 June 2006
	£âEur
Retained loss for the period	(781)
New share capital subscribed (net of issue costs)	-

Exchange movement on overseas net assets	72
Net (decrease)/increase in shareholders' funds	-----
Opening shareholders' funds	1
Closing shareholders' funds	----- 1
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NOTES TO THE INTERIM REPORT

1. Accounting Policies

Basis of preparation

The interim report has been prepared using accounting policies consistent with those set out in the Company's Annual Report and Accounts for the year ended 31 December 2005.

The financial statements and the Annual Report and Accounts for the year ended 31 December 2005 were prepared on a going concern basis.

The interim report for the six months to 30 June 2006 was approved by the Board on 28 September 2006.

2. Loss per Share

The loss for the period includes £216,000 loss on revaluation in a subsidiary company of an intercompany balance. A corresponding profit on translation of the subsidiary's accounts into sterling for the purposes of consolidation is incorporated in the movement on reserves.

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6 month
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Earnings per ordinary share	- basic	(2.12p)
	- diluted	(2.06p)

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Loss per ordinary share is based on the Group's loss for the financial period of £781,000 (December 2005 - £1,224,000 and June 2005 - £525,000).

The weighted average number of shares used in the calculation is basic 36,757,424 ; diluted 37,893,623 (December 2005 basic 34,324,283; diluted 37,464,283 and June 2005 basic 33,531,520 and diluted 36,671,520)

3. Called up Share Capital

The issued share capital as at 31 December 2005 was 35,104,121 ordinary shares of £0.005 each. A further 2,624,982 ordinary shares were issued on 9 March 2006 under the terms of the FuturaGene Inc acquisition agreement and a further 375,018 ordinary shares remain to be issued under this agreement. There is contingent additional consideration under this agreement of up to 26,000,000 shares.

There are options over a further 2,200,000 shares at US\$0.18 per share of which 900,000 have vested and 1,300,000 will vest if and when the additional contingent consideration becomes payable.

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FUTURAGENE PLC

NOTES TO THE INTERIM REPORT
continued

4. Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	Unaudite 6 month ende 30 June 2006
	£âEu
Operating loss	(873)
Exchange rate movement On overseas assets	72
Depreciation on tangible fixed assets	4
Goodwill amortisation	192
Net increase in Working capital	47
Net cash inflow/(outflow) from Operating activities	----- (558) =====

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5. The information for the year ended 31 December 2005 has been extracted from the audited accounts for that period which have been delivered to the Registrar of Companies and received an unqualified audit opinion. The unaudited results for the six months to 30 June 2006 have been prepared on a basis consistent with the accounting policies disclosed in the Company's 2005 accounts and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

6. Copies of this interim statement are available from the Company at its registered office at One Bridge Place, London SW1V 1QA.

Close

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