FuturaGene reports maiden full year 2004 results following AIM admission

June 30 2005

FuturaGene Plc, which develops environmentally friendly solutions that enable crops to grow in extreme conditions, today reports maiden full year results for the year to December 31, 2004. In May 2004 the company was admitted to the AIM market in London.

Highlights

- Pre-tax loss of £1.055 million (2003: Loss £140,000)
- Basic loss per share 4.8p (2003: Loss 2.4p)
- Current cash reserves exceed £5 million. Cash burn c £0.8-£1.0 million pa
- Joint venture agreement with China Agricultural University for research and testing of prototype crops
- Chinese subsidiary is now established to commercialise joint venture developments
- Field trials of salt resistant tomatoes under way
- Discussions on out-licensing under way with commercial entities
- Acquisition of rights to exclusively commercialise plant protein osmotin which may lead to potential treatments for obesity, heart disease and diabetes
- 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 aim is to market products based on its research via partnerships with market leaders and it is currently involved in discussions with commercial entities for the possible licensing of its technology.

Mark Pritchard, Chairman, commented: " We have achieved a lot since we came to AIM last year. We are clear what we want to do with this business. We will develop unique intellectual property which we will license through royalty bearing agreements, to major corporations for product development. We will build a company which is focused on generating substantial cash flows, and so real value, for its shareholders. Field trials for our salt tolerant tomatoes started this month and with the development of our joint research venture in China, and the start of our development programmes for osmotin, which may lead to treatments for obesity, diabetes and heart disease, we remain excited about the opportunities that exist for the company".

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Notes

FuturaGene Plc

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.

FuturaGene already has laboratory prototypes of rice and tomato plants with resistance to salt, drought and cold.

The total seed agricultural biotechnology market is estimated to have a value in the region of $3bn. The demand for transgenic seeds, such as FuturaGene's, is estimated to grow at some 12% through to 2006, while the total seeds market is estimated to be worth between $12 and $15bn.

FuturaGene Plc

Chairman's Statement

Introduction

2004 was an exciting year for FuturaGene and its shareholders, who include pre-existing shareholders of OverNet Data PLC, and new investors who took part in the placing in May, which was part of the reverse merger that saw the Company admitted to AIM. Since then, the Company has continued its research and development progressing towards the field tests of transgenic crop plants that are tolerant to severe environmental conditions.

Important developments since the year ended December 31, 2004 include; a licensing agreement with China Agricultural University that will allow FuturaGene Plc to commercialise several new genes, as well to develop and test prototype crops at the university; and the acquisition of the commercial rights to a portfolio of patents on a plant protein that may lead to the development of treatments for obesity, heart disease, and diabetes. This development represents the start of a Human Health division that could generate a new revenue stream for the Company.

Agricultural Biotechnology

The improvement of crop yields and the necessity to achieve this goal through better management of natural resources has opened the door to the application of genetic engineering to the agricultural market. The first genetically modified (GM) crop was developed in the early 90's, and by 2004 GM crops were cultivated worldwide on over 200 million acres. In the US, currently 85% of soybean, 76% of cotton, and 45% of corn acreage are GM.

Environmental stresses are a serious and worsening global problem that affects agriculture. The Food and Agriculture Organization (FAO) reports that up to 42% of the world's irrigated land is affected by high levels of salt in the soil, and about 25 million acres of farmland per annum become unusable due to this problem. Furthermore, the US Salinity Laboratory estimates that salinity related problems cost approximately $5 billion per annum in crop losses in US alone. Drought has caused as much as $40 billion in losses worldwide in one year.

Many companies have already expressed interest in developing GM crops more tolerant to extreme environmental conditions, known as abiotic stress, but to date no products have been made available to the market. FuturaGene's proprietary licensed technology promises to deliver such products. The research and development process of FuturaGene begins with the discovery of genes inherent in plants which control their natural defence mechanism against stress. We then enhance the expression of these genes in plant prototypes, selecting the best gene candidates to dramatically increase plant stress tolerance. These genes will then be incorporated into commercial crops to give the same stress resistant characteristics. A distinct advantage with our technology is that it is naturally eco-friendly as we are working with genes which occur naturally in plants, rather than incorporating non-plant genes into the plant genome.

Our efforts are to identify, study, and test all of the plant genes involved in plant stress tolerance. Our research and development process and strategic alliances with various universities allow

examination of the full plant genome for the selection, testing, and the commercialization of the best gene candidates.

Business Model

The business model of FuturaGene is to acquire early stage proprietary technologies and to promote the development and commercialisation of products based on such technologies, through the development of financial and industrial partnerships with the market leaders. Such partnerships will assure substantial future cash flow for FuturaGene through royalty bearing agreements.

Whilst in the area of plant biotechnology, our major focus remains the genetic improvement of major commodity crops, we have also identified new areas of considerable interest, such as turf grass, ornamentals plants, bio-fuels, and forestry.

Human Health

Studies have shown that obesity in the U.S. alone costs tax payers over $75 billion per year and the true burden of diabetes is estimated to be over $132 billion. Approximately one-third of the U.S. population and one-fifth of the U.K. population are estimated to be obese while diabetes affects over 6% of the U.S. population and 3% in the U.K. Heart disease is a major killer in both the U.S. and U.K.

Our patents on the screening technology and plant protein called osmotin are the results of an extensive research effort in cooperation with research institutions based in Spain, Korea, US, and Japan. They represent an opportunity for us to become one of the leading contributors to develop therapeutic agents for the treatment of such diseases as studies have shown that osmotin exhibits similar properties to the human hormone adiponectin, and has the potential to treat obesity, heart disease, and diabetes in humans.

Research and Development

Through our research collaboration with our partner universities, we have produced our first crop prototypes in tomato, rice, and corn which are at different stages of development.

Tomato

Third generation transgenic tomato plants overexpressing SOS1 genes are currently undergoing field trials at Purdue University to assess their level of tolerance to salt stress. The trials have been designed to comply with the USDA and FDA regulations, and are directed by Professors Ray Bressan and Mike Hassegawa. We plan to report on the outcome of the trials later this year.

Rice

Our preliminary field tests in rice for drought tolerance, sponsored by a major non profit organization at Wuhan University in China, have shown that transgenic rice plants over-expressing LOS5 and SOS2 genes are significantly more drought tolerant than the wild type rice plants. Additional data are currently being collected by the research team.

Corn

The transformation of corn with SOS1, SOS2, and LOS5 genes are currently underway at the Chinese Agricultural University in Beijing.

University and Scientific Relationships

In the past few years, FuturaGene has invested over $1 million to strengthen and further develop its research partnerships with the university partners, to continue the discovery of plant genes that control plants tolerance to environmental stress, and to develop crop prototypes. This effort has allowed FuturaGene to acquire rights to a portfolio of over 20 patents in agricultural biotechnology and 2 in the field of human health.

FuturaGene continues to cultivate and maintain excellent relationships with its partners and we continue to foster alliances with additional universities.

Corporate Development

In the year under review we welcomed Mr Kannan Grant to the board as a non- executive director and in January 2005 Mr David Malsbury also joined us. These appointments have undoubtedly enhanced the breadth of experience of our Board. We also moved the headquarters of FuturaGene Inc., our key operating subsidiary to a new location in the Purdue Research Park, in West Lafayette, Indiana, thus enlarging our office space to handle a larger workload.

Cash Resources and Burn Rate

The share placing in May 2004 raised £1.9 million and subsequent share placings, since the end of the year have raised a further £4.3 million. The Company now has available cash reserves in excess of £ 5 million. We are confident that the Company is now well financed to exploit the opportunities that it sees open to it.

Outlook

2005 has already seen important developments for the Company and we remain excited about the opportunities that exist. The start of field trials this month, the development of a fully owned subsidiary in China, and the initiation of a research program to further the development of Osmotin as a therapeutic agent for obesity, diabetes, and heart disease, are all important steps towards the commercialization of our proprietary technology and will be closely followed with interest by our potential commercial partners.

Mark Pritchard, Chairman – London, June 2005

Consolidated profit and loss account

for the year ended 31 December 2004

	Note	**2004**	2003
		£000	£000
Turnover		**37**	8
Administration expenses		**(1,112)**	(148)
Operating loss		**(1,075)**	(140)
Interest receivable and similar income	*1*	**20**	-
Loss on ordinary activities before taxation		**(1,055)**	(140)
Taxation credit on loss on ordinary activities	*2*	**-**	-
Loss for the year for group		**(1,055)**	(140)
Loss per ordinary share – Basic	*3*	**(4.8p)**	(2.4p)
- Diluted		**(4.1p)**	(1.4p)

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.

Consolidated balance sheet

As at 31 December 2004

	Note	**2004 £000**	**2004 £000**	2003 £000	2003 £000
Fixed assets					
Intangible assets			**7,442**		
Tangible assets	*4*		**11**		-
Current assets					
Debtors		**85**		208	
Cash at bank and in hand		**1,020**		28	
		1,105		236	
Creditors: amounts falling due within one year		**(110)**		(15)	
Net current assets			**995**		221
Total assets less current liabilities			**8,448**		221
Creditors: amounts falling due after more than one year			**(200)**		(200)
Net assets			**8,248**		21
Capital and reserves					
Called up share capital			**163**		46
Share premium account			**11,520**		3,532
Shares to be issued			**1,140**		-
Capital redemption reserve			**2,415**		2,415
Merger reserve			**(844)**		(844)
Profit and loss account			**(6,146)**		(5,128)
Equity shareholders' funds			**8,248**		21

Consolidated cash flow statement
for the year ended 31 December 2004

Cash flow statement	*Note*	**2004**	2003
		£000	£000
Cash outflow from operating activities		**(966)**	(170)
Returns on investments and servicing of finance		**20**	-
Capital expenditure		**(2)**	-
Acquisitions		**(260)**	-
Cash outflow before financing		**(1,208)**	(170)
Financing		**2,200**	166
Increase/(Decrease) in cash in the year		**992**	(4)

Reconciliation of net cash flow to movement in net funds

Increase /(Decrease) in cash in the year	**992**	(4)
Loan received during the year	**(175)**	(25)
Movement in net funds in the year	**817**	(29)
Net funds at the start of the year	**3**	32
Net funds at the end of the year	**820**	3

Reconciliations of movements in shareholders' funds

for the year ended 31 December 2004

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Loss for the financial year	**(1,055)**	(140)	**(57)**	(71)
Shares to issue	**1,140**	-	**1,140**	-
Increase in share capital	**8,105**	141	**8,105**	82
Exchange movement on overseas net assets	**37**	-	-	-
Net Increase in shareholders' funds	**8,227**	1	**9,188**	11
Opening shareholders' funds	**21**	20	**31**	20
Closing shareholders' funds	**8,248**	21	**9,219**	31

Notes

1 Interest receivable and similar charges

	2004	2003
	£000	£000
Bank interest	**20**	-

2 Taxation

Analysis of charge in period

	2004	2003
	£000	£000
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 current period

The current tax charge for the period is higher (2003: higher) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004	2003
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,023)**	(140)
Current tax at 30% (2003 : 30%)	**(307)**	(42)
Effects of:		
Expenses not deductible for tax purposes	**-**	18
Increase in tax losses	**307**	24
Total current tax charge (see above)	**-**	-

At 31 December 2004 Futuragene Inc had net operating losses to carry forward of £931,345 for federal income tax purposes which expire beginning in 2021. The deferred tax asset on these tax loss of £368,813 has not been recognised due to the uncertainty of recovery.

Notes *(continued)*

3 Loss per share

	2004 Pence	2003 Pence
Loss per ordinary share		
-Basic	**(4.8)**	(2.4)
- Diluted	**(4.1)**	(1.4)

Loss per ordinary share is based on the Group's loss for the financial year of £1,055,000 *(2003 £140,000)*

The weighted average number of shares used in the calculation are – basic 21,829,146 *(2003: 5,757,057)*; diluted 25,476,687 *(2003 10,257,057)*.

4 Intangible assets

	Consolidation Goodwill £000
Group	
Costs	
Additions	7,650
At end of year	7,650
Amortisation	
Additions	208
At end of year	208
Net book value	
31 December 2004	7,442
31 December 2003	-

Purchase of subsidiary undertakings
On 14 June 2004 the Company acquired a 100% interest in Futuragene Inc.

Net Assets Acquired	Book value & fair value £000
Tangible assets	**13**
Debtors	**8**
Cash at bank and in hand	**20**
Creditors	**(191)**
Goodwill	**7,650**
	7,500
Satisfied by:	
Shares issued at fair value	**6,080**
Shares to be issued	**1,140**
Costs associated with acquisition	**280**
	7,500

Notes *(continued)*

5 Annual Report and Accounts

Copies of the Annual Report and Accounts will be posted to shareholders on June 30, 2005 and copies will be available at the Company's offices at 1, Bridge Place, London SW1V 1QA.

6 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 2004 or 2003. The statutory financial statements for the year ended 31 December 2004 will be finalised 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 2003 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 29 June 2005.