RNS Number : 0769B

Biome Technologies PLC

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Biome Technologies plc

("Biome", "the Company" or "the Group")

Preliminary Results

Biome Technologies plc announces its Preliminary Results for the year ended 31 December 2012.

Highlights

- Following the sale of 50% stake in Biotec, the Bioplastics Division is focused on developing high margin, application led products with enhanced level of functionality. Key projects include work on single use foodservice products and single use coffee capsules
- Cash position at 31 December 2012 was £6.3m
- Stanelco RF had another profitable year - notable achievements include the award of a development and supply contract with Durapipe during the year.

Paul Mines, Chief Executive, said:

"2012 has been a year of significant change for the Group. We have responded quickly to adverse legislative changes in the European markets and the sale of our stake in our joint venture Biotec so that the Group is able to truly commit to its strategy to commercialise and develop its wholly owned intellectual property. We are encouraged to see a number of our technologies at an advanced stage towards commercialisation in both the Bioplastics and Stanelco RF businesses."

- Ends -

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Chairman's Statement

2012 marked a year of significant change for the Group. The abrupt reduction in demand in the European bioplastics markets during the second quarter created a highly challenging business environment. Subsequently, the Group has shifted its focus further towards its strategy of targeting opportunities in the bioplastic market that require higher functionality and are market leading in their application.

The sale of the Group's 50% share in Biotec Holding GmbH ("Biotec") for £5.2m on 1 October 2012 has enabled the Bioplastic Division to focus its attention on the commercialisation and development of its wholly owned intellectual property where there is a strong product offering and the Board sees significant potential for growth. Notably, the Biotec sale also eliminates the Group's liability with regard to the Novamont litigation and provides a significant cash inflow which generates further options for delivering sustainability.

Despite some turbulence in the market, the Stanelco RF Technologies Division had another profitable year and continues to develop its leading position in the optical fibre furnace market whilst broadening its portfolio.

Results

Pro-forma Group revenues (including consolidation of Biotec for nine months) were £11.0m (2011: £19.1m). The decrease was predominantly due to legislative changes within the European bioplastics market, which negatively impacted demand. Including the mitigation from a further cost reduction exercise initiated in May, the Group loss after taxation, excluding exceptional items was £2.4m (2011: loss of £1.1m). The loss after taxation on continuing activities was £2.0m (2011: loss of £1.3m). The loss associated with the Biotec discontinuing activities was £0.4m (2011: profit of £0.3m). Including the discontinued activities and the exceptional loss of £3.4m on the sale of Biotec, the loss per share was 0.098 pence (2011: loss per share of 0.018 pence).

The wholly owned Bioplastics Division experienced a reduction in revenues to £3.4m (2011: £6.4m) as demand fell and the business reduced sales of products previously bought (and sold on) from Biotec following the separation. The Biotec revenues are disclosed as discontinued activities and on a proportional basis were £5.4m to the date of its sale (2011: £9.8m). The resulting operating loss for the continuing Division was £1.0m (2011: £0.4m).

The Stanelco RF Technologies Division had another profitable year, albeit reduced operating profits of £0.4m (2011: £0.6m) as some revenues from Asia were delayed over the period end. The Division's revenues were £2.3m (2011: £2.9m). In January 2012, Stanelco announced a new development and supply contract with Durapipe, as the Company continues to successfully diversify and expand its product range.

In the last quarter of 2012, following the sale of Biotec, the Group's revenues were £0.8m. The majority of this revenue was generated in the RF Division and this sales profile is expected to continue until the Bioplastics Division's most promising projects, referred to below, move into their manufacturing phase.

Cash

The Group's cash resources continued to be managed prudently throughout the year with the cash position at 31 December 2012 at £6.3m (31 December 2011: £2.4m). Over the year, the cash utilised by continuing operations was £0.8m (2011: £1.4m), which benefited from a £0.7m reversal in working capital as balances relating to Biotec were wound down. As a result of the sale of Biotec the Group received a net cash inflow of £5.0m. There was no significant investment in the year in new property, plant and equipment (2011: £0.1m) and £0.3m in product development (2011: £0.4m).

The Group's existing debt facility remained unused throughout 2012 and, given current cash balances and working capital requirements, the facility was terminated on 22nd January 2013 resulting in modest future cost savings.

Strategy

Biome Bioplastics

The sale of Biotec has allowed a tighter focus on this Division's strategy of targeting opportunities in the bioplastic market that require higher functionality and are market leading in their application. In the short term, this involves a focus on the markets where Biome differentiated products are in demand, particulalry those requiring thermal stability and modified rheology for coating.

In this context, the two most promising projects underway are:

- Single use foodservice products - The pre-launch evaluation work with a leading manufacturer of high performance food service products continues to progress well. This is a project that was first initiated in 2009 and the customer has committed significant resources to the product's deployment to date. The optimised product is now in the late stage of testing for composting performance and high-speed manufacture. Technical and commercial progress is running slightly ahead of schedule and market testing is expected to start in the third quarter.

- Single use coffee capsules - This project is also progressing according to expectations. Begun in 2010, detailed formulation work through 2011 and 2012 led to market testing in the fourth quarter of 2012. Subsequently, an initial launch was undertaken in January 2013 with some 40 tonnes of bioplastic delivered. Manufacturing of the product is now scaling up in the USA with a view to launching with a broader range of end-use coffee brands through the year. Demand projections continue to be firm.

Whilst the expected growth trajectories of both these applications is strong, they are still in their development phase. Their actual performance and contribution to the Group will become clearer during the second half of the year when they are expected to pass into a predominantly manufacturing phase.

With maturing interest in these novel bioplastics from the food service/coffee markets, the Bioplastics Division has been broadening its contact with potential customers in these sectors in both Europe and the USA. There are encouraging signs from this market and a number of other trials have been initiated.

To support the expected manufacturing requirements arising from these projects, the Division has been evaluating and trialling with a small number of potential toll-converters. This work is proceeding well with a UK based manufacturer with significant capacity and large scale trials are now being undertaken.

The Division has also been investigating opportunities for the manufacture of bio-based materials through the use of synthetic biology. This is an emerging technology and Biome has a small number of exploratory collaborations with both academic and industrial partners. The UK Government has identified the commercialisation of synthetic biology as an area of high priority where the UK can build a world leading position. The Board is identifying ways to accelerate business in this area, without depleting the Group's cash resources with the full development costs and is awaiting the result of a grant application to the Technology Strategy Board (a Government body charged with making the UK a global leader in innovation). The result of this application is expected in the near future.

Stanelco RF Technology

The Stanelco RF Technologies Division continues to see a wider variety of opportunities opening up as the business grows. There was a subdued end to 2012 as a number of optical fibre furnace deliveries were delayed due to some uncertainties in the Chinese fibre market; this market is expected to return to growth as the current year unfolds. Progress continues on the Durapipe project and the delivery timing for ten pre-production units will be finalised following time-based testing of the final pipe-work over the next quarter.

Neil Martin, who has ably led this Division for the past 4 years has decided to step down from commercial life in February 2013 and we thank him for the transformation in performance he has brought to the business over the past few years. Paul Mines (our Group CEO) will lead this Division for the time being whilst we recruit a replacement Managing Director.

Group

The Group continues to challenge all aspects of its cost base as exemplified by the cost reduction programme initiated in May 2012. In this context, the legacy long leases on three buildings in Southampton remain a significant drag on the path towards profitability and the Board is exploring a number of strategies that might mitigate this outflow. To this end, Bailey Watkins LLP (a specialist property consultancy) has been engaged to support the Board in determining whether early termination of one or more of the leases is in the economic interest of the Group. Discussions are underway with the landlord. Separately, the Board continues to market these buildings vigorously as available for sub-lease.

As outlined previously, the Board is assessing the potential scope for returning funds to shareholders that may be in excess of those required in the medium term. This would require a Court sanctioned re-organisation of capital, given the large accumulated losses and substantial share premium accounts on the Group's balance sheet. Furthermore, an evaluation of the cash requirements in the medium term must be predicated on, amongst other things, greater clarity on the legacy cost issues described above.

Board and Employees

In November 2012, Declan Brown stepped down as Group Finance Director and from the Board. We thank him for his strong support and contribution during his tenure and wish him well for the future.

Michael Kayser, Senior Independent Non-Executive Director, has taken over the Finance Director’s duties on a part time and interim basis.

I would like to thank all employees for their help and support during this year of change. We have a great team in place, ably led by Paul Mines, and they will continue to move the Group forward towards sustainability.

Outlook

Biome continues to progress with new products and technologies to improve its future prospects and develop new markets. It is particularly encouraging to see a number of these technologies at an advanced stage on the path towards commercialisation in both Bioplastics and RF Technologies.

Our main focus this year will be both to actively promote and support the growth of our Divisions and to reduce our ongoing legacy liabilities.

It is expected that the prospects for the two leading bioplastic projects will emerge more clearly in the second half of 2013 and that the Group's performance for this year will be weighted accordingly.

John Standen

Chairman

Chief Executive's Statement

Performance

After a strong 2011, the Group entered 2012 with the clear expectation that the Bioplastics Division would drive growth for the Group in the year. However in the second quarter it became clear that the upheaval in the European bioplastic markets would fundamentally change these plans. Legislative uncertainty in Europe, predominantly in Italy, caused disequilibrium in the supply and demand balance for both Biome Bioplastics and Biotec's external customers.

The immediate action was to implement cost cutting measures at the end of May 2012, designed to save the Group £0.6m on an annualised basis. This was enacted quickly and recurring administrative expenses, excluding Biotec and non-cash items, in 2012 were £2.5m compared to the 2011 level of £2.8m.

The long term strategy of the business in the bioplastics area has been to differentiate Biome Bioplastics from other competitors through a focus on the development and commercialisation of highly functional innovative materials. Whilst Biotec was contained within the Group's portfolio, this had to be balanced with the requirement to drive rapid low-margin volume growth in order to fill the dedicated high-volume factory. The approach from SPhere SA to buy the Group's 50% stake in Biotec was welcomed. It not only provided cash inflow and eliminated the ongoing impact of the litigation with Novamont, but this also freed up significant management and technical resource to work exclusively on developing and commercialising Biome's more differentiated product offering.

The changes of 2012 have reduced the Group's complexity and allowed us to work on a more focused basis. Although the markets remain uncertain in 2013, the business has an excellent base of technology, good working partnerships with a number of multinationals and the resources to maximise commercial exploitation.

Operational Review

Bioplastics Division

Revenues in the Bioplastics division decreased to £8.7m, (2011: £16.2m). This drop is a result of the reduced market demands and Biotec's revenue only being recorded to the Group until divesting its ownership on 1st October 2012.

Markets

The production price of biodegradable plastics is currently over twice that of a traditional petro-chemical plastic. Adoption of biodegradable plastics is therefore reliant on legislation as well as consumer demand. During 2011, the Italian market for bioplastics became one of the largest in Europe following the implementation of regulations mandating the use of biodegradable products for shopping bags. As such the Italian market became a key element to the overall supply and demand equilibrium for bioplastics.

In the first half of 2012, customers of the Division reported subdued demand for their own bioplastic end products, particularly in the markets of southern Europe. In May 2012, the Group became aware that the financial penalty for non-compliance with the Italian regulations (enforced in 2011) would be deferred. This resulted in a significant slow down in the adoption rate in the Italian market with many final users reverting to oil based materials. The result for the industry was a broader disruption to the supply and demand balance of bioplastics in Europe. Whilst attempts continue in Italy to re-implement legislation in favour of bioplastic bags, the certainty, form and timing of any such laws remains unclear.

Several other markets for bioplastics, including Brazil and Germany, also saw set-backs to legislation or agreed implementations in 2012. This leads to a broader conclusion that the adoption of bioplastics in low value end-uses (such as bags) will remain uncertain, particularly in geographies where consumers and politicians are exposed to the headwinds of economic austerity.

In regard to our high-performance ranges, where Biome has leading products based on wholly owned IP, market interest remains strong. It is not an accident that the two bioplastic projects of potential, mentioned in the Chairman's report, that show most promise for commercial success are linked to the single serving consumer coffee market. This is a market of significant scale that has been growing rapidly and where the packaging cost is a minor portion of the finished product, enabling brands greater freedom to consider bio-based alternatives.

Sale of Biotec

On 1st October 2012, the Company disposed of its 50% holding in Biotec Holding GmbH, together with an associated shareholder loan of €6.2m made by the Company to Biotec, to SPhere S.A. for £5.2m in cash. The disposal of Biotec resulted in an exceptional charge of £3.4m in the Group's consolidated statement of comprehensive income.

The board of directors of the Company concluded that the transaction was in the best interests of the shareholders for a number of reasons. In particular:

- the demand for biodegradable plastic polymers manufactured by Biotec and sold by Biome and SPhere had reduced significantly during 2012. This followed the suspension of legislation in Italy banning the use of conventional plastic shopping bags and the deferment of legislation or voluntary adoption for similar applications in other territories. This change to legislation has had a materially adverse impact on sales in this market with the timing of the return of growth uncertain;

- the ongoing cost of litigation with Novamont was likely to limit the returns from Biotec in the short to medium term;
- the overhead costs of a large scale factory and the cost base of the current product chemistry limited the margins available;
- the low margin characteristic of the plastic bag market drove a requirement for significant volume through Biotec;
- Biome's own strategy and technology development path was focused on materials with higher functionality and margins than those achieved through Biotec; and
- It was likely that the production technology required for the intellectual property being developed by Biome would have required different process technology in due course.

It should also be noted that as at 31 December 2011 the goodwill included in Biotec's balance sheet amounted to £7.1m. Given the market downturn in bioplastics that was experienced throughout 2012 it is likely that an impairment charge would have been required on the Biotec goodwill if it had not been sold.

In conclusion, the sale has enabled the Company to focus on, and accelerate, the development and commercialisation of its own wholly owned intellectual property which will deliver the strategy of selling high-margin, application-led products with enhanced levels of functionality.

Technical Development

During 2012, the UK-based development team has allocated its time between supporting trials with existing and new customers, re-formulating existing products and pushing forward new material development, often in collaboration with significant customers. With the sale of Biotec, the UK team is now able to focus solely on the development and commercialisation of the Company's wholly owned intellectual property.

Significant further development work was undertaken on cellulosic based materials that include raw materials that do not compete for land and water use with food-based crops. This has produced a high temperature resistant product (BiomeHT) which allows the use of biodegradable plastics at a temperature higher than mainstream biodegradable plastics. This material has been produced in limited quantities at a toll-manufacturer in the UK and work continues to scale-up this process.

There are now three product ranges that we are actively promoting where we believe we have a differentiated product in the market:

BiomeHT	Enhanced temperature performance (compostable)
BiomeEasyflow	Low viscosity for coating/lamination (compostable)
BiomeEP	Surface modified for lamination (compostable)

BiomeEasyflow is a modified rheology product that has promise for the coating of paper and board. Laboratory work has progressed well in the last 12 months and customer trials have begun.

To ensure our next generation of bioplastics can challenge the dominance of oil-based plastics, and ultimately replace them in wider applications, research and development is required that tackles the intrinsic synthesis of bioplastics that keeps costs high and limits performance. Biome Bioplastics has partnered with, amongst others, the University of Warwick's Centre for Biotechnology and Biorefining that is pioneering some leading edge work in the use of synthetic biology to achieve this. The business is awaiting the result of a grant application to fund a collaboration with Warwick made to the Technology Strategy Board (a Government body charged with making the UK a global leader in innovation).

Investment in Biome Bioplastics product development in the year was £0.2m (2011: £0.3m).

Expenses

As a result of the turbulence experienced in the market during 2012, the Group entered into a streamlining process in May 2012 with the aim of reducing £0.6m from the cost base on an annualised basis. For 2012 the recurring administrative expenses of the Group excluding Biotec and non-cash items (depreciation, amortisation, and impairment charges) reduced £0.3m from the 2011 levels to £2.6m.

The management team continues to focus on reducing costs although it will also incur some additional cost in order to expedite the commercialisation of products using its own wholly owned intellectual property.

Costs in the UK continue to be impacted by the legacy building lease arrangement at Southampton. The Group leases three buildings at this headquarter location but only uses the smallest one. The management are investigating a number of options to mitigate the financial impact of these onerous leases.

Stanelco RF Technologies Division

Stanelco RF Technologies is a profitable specialist engineering business focused on the design and manufacture of electrical/electronic systems based on advanced radio frequency technology.

The business has continued its profitability of recent years whilst looking to diversify its product offering to complement its core fibre optic furnace business. Revenues in 2012 at £2.3m were lower than in the comparable period (2011: £2.9m) as a number of optical fibre furnace orders were delayed due to some turbulence in the Chinese fibre market. To help mitigate the impact of this slippage in revenue there has been continued focus on cost controls and manufacturing efficiencies to minimise the impact on operating margin. Operating profit for the period was £0.4m (2011: £0.6m).

In addition, it was announced on 23 January 2013 that Stanleco has been appointed as the UK sales and service agent for Forsstrom High Frequency AB, “Forsstrom”, a world leading supplier of high frequency welding equipment which extends Stanelco’s product offering into larger plastic welding equipment.

The business focuses on four key revenue streams:

Optical Fibre Furnace Systems

Stanelco RF Technologies is one of the world’s leaders in the design and manufacture of induction furnace systems used in the manufacture and processing of quartz glass “preforms” to produce optical fibre. Operating at temperatures up to 2500C, a typical system consists of an induction furnace, electrical power generator and control system, all designed and manufactured in-house. Each system is bespoke to the customer’s exact requirements. 10 such furnaces were sold by the Division in 2012 (2011: 17) and it is believed that this is a significant proportion of all such sales globally.

The global demand for optical fibre experienced some turbulence towards the end of 2012 due to lack of visibility of demand of end fibre in China (possible linked to government change). This meant that orders for a number of furnaces expected towards the end of 2012 were delayed. With the rising cost of energy, a number of customers have been looking at furnaces which operate more efficiently. During the year, the Stanelco RF team has been developing more efficient furnaces which will look to capitalise on this. These new furnaces utilise novel insulating materials that are “transparent” to RF fields.

Plastic Welding Equipment

These units are used in a multitude of end-user applications including the nuclear, medical and industrial sectors. The equipment is provided in hand-held, mobile or fully automated static solutions dependent on the customers requirements. The recently announced collaboration with Forsstrom will help to broaden the businesses access in this sector and will extend the Division’s product offering of larger welding equipment.

Induction Heating Equipment

During 2012 the business continued its work on a new family of equipment capable of providing rapid, highly controlled heating solutions to a wide range of industrial applications. This includes the Durapipe project where Stanelco RF has been contracted by Durapipe UK to develop a new and innovative portable welding system.

Service and Spares

The business continues to support its large installed equipment base through the provision of maintenance support, system upgrades, and specialist spares across the globe.

Financial review

The summary results for the Group are shown below. It should be noted that for both the financial year 2012 and the 2011 comparative, under IFRS, the result of Biotec has been reclassified as a discontinuing activity with the 2012 result being to the point of the joint venture's sale on 1st October 2012. The revenues and results for Biome Bioplastics include sales of Biotec produced products sold to external customers.

	2012	2011	Growth
	£'m	£'m	
PRO-FORMA LIKE-FOR-LIKE COMPARISONS			
Revenues			
Biome Bioplastics	3.4	6.4	(47)%
RF Technologies	2.3	2.9	(21)%
Revenues – continuing operations	**5.7**	**9.3**	**(39)%**

Discontinued operations – Biotec	5.3	9.8	(46)%
Total revenues	**11.0**	**19.1**	**(42)%**
Loss from operations			
Biome Bioplastics	(1.0)	(0.5)	(100)%
RF Technologies	0.4	0.6	(33)%
Central costs	(1.5)	(1.6)	6%
Loss from operations – continuing Operations	**(2.1)**	**(1.5)**	**(40)%**
Discontinued operations – Biotec	(0.1)	0.5	(120)%
Loss from operations	**(2.2)**	**(1.0)**	**(120)%**
Non-current assets	1.5	10.3	
Inventories	0.4	2.8	
Trade and other receivables	1.1	6.3	
Cash	6.3	2.4	
Provisions	(0.2)	-	
Trade and other payables	(1.0)	(4.1)	
Promissory notes	-	(2.7)	
Obligations under finance leases	-	(0.1)	

Net assets	**8.1**	**14.9**

Revenues

Group revenues, including those of Biotec, decreased in the year from £19.1m to £11.0m driven mainly by the disruption to the volume market in Europe and the sale of Biotec.

In Biome Bioplastics, revenues fell by 47% as the delay in the enforcement of the Italian legislation caused disruption to the supply and demand balance within the European market. External sales of Biotec were down 46% due to the change to Italian legislation and also the results being included only up to the point of the sale of the Group's shares in Biotec on 1 October 2012.

In RF Technologies, revenues slipped 21% in 2012 as furnace orders anticipated for the end of 2012 were delayed due to some turbulence in the Chinese fibre optic market.

Operating profits/(losses)

The Group's loss from operations on a like for like proforma basis for the year increased from £1.0m to £2.2m.

At the end of May 2012, the Group announced that it would be taking steps to reduce costs by approximately £0.6m per annum. Recurring administrative expenses across the Group, excluding Biotec, in 2012 were £3.1m (2011: £3.2m). When the non cash effects of depreciation, amortisation, and goodwill impairment are removed the recurring administrative expenses in 2012 were £2.5m (2011: £2.8m), a drop of £0.3m compared to the prior year showing that the Group is on target to achieve these cost savings. As in 2011, the directors have waived their bonus entitlements for 2012.

Product development costs of £0.3m (2011: £0.4m) were capitalised in the year. Tax R&D claims resulted in a tax credit received in the year of £0.1m (2011: credit of £0.1m).

On continuing activities, finance related credits and charges, including foreign exchange gains and losses, totalled £0.01m for the year (2011: £0.06m). The foreign exchange loss of £0.3m (2011: £0.1m) relating to the revaluation of the loan to Biotec is included within result from discontinued operations.

The Group also incurred £3.4m of exceptional costs in the year. These exceptional items relate solely to the disposal of Biotec. The exceptional loss on disposal comprised total consideration of £5.2m less goodwill £0.1m, net assets of £3.9m, loan held in parent company of £5.0m, directly attributable disposal costs of £0.5m, and plus cumulative translation differences recognised in equity of £0.9m.

The Group's loss after tax, after exceptional items on the sale of Biotec, for the year was £5.8m (2011: loss after tax of £1.1m), giving a loss per share of 0.098p (2011: loss per share of 0.018p).

Balance sheet

Post the sale of Biotec the Group has a significantly slimmed down balance sheet with no goodwill existing as at 31 December 2012. The carrying value of intangible assets relate to capitalised development costs predominantly within Biome Bioplastics for the Group's own intellectual property and product range going forward.

As at 31 December 2012 there is £1.2m of capitalised development costs within the Group's balance sheet of which £0.9m relates to BiomeHT and BiomeEasyflow. An assessment is made at least annually which assumes future potential market take up of the products and the margins achievable.

In addition, with the sale of Biotec there is lower working capital in the Group and the promissory notes receivable, and payable were extinguished as part of the sale.

Cashflow

	2012	2011
	£'m	£'m
Cashflow		
Loss from continuing operations	(2.1)	(1.5)
Adjustment for non-cash items	0.6	0.4
Movement in working capital	0.7	(0.3)
Cash utilised by continuing operations	**(0.8)**	**(1.4)**

Corporate taxation received	0.1	0.1
Investment activities	(0.3)	(0.1)
Cash outflow before financing – continuing operations	**(1.0)**	**(1.4)**
Disposal of joint venture (net of expenses)	5.0	-
Net increase/(decrease) in cash – continuing operations	**4.0**	**(1.4)**
Cash outflow before financing – discontinued operations	(0.6)	0.1
Financing activities – discontinued operations	0.5	(0.3)
Net increase/(decrease) in cash – all operations	**3.9**	**(1.6)**
Opening cash balance	2.4	4.0
Closing cash balance	**6.3**	**2.4**

The cash utilised from operations before working capital movements was £1.5m (2011: £1.1m) reflecting the increased loss from operations during 2012 compared to the prior period. As a result of the sale of Biotec, working capital decreased within Biome Bioplastics as inventories were wound down and trade debtors and creditors were reduced. There was, therefore, a positive swing in working capital of £1.0m compared to the previous year. As a result, the cash utilised by operations during 2012 was £0.8m (2011: £1.4m).

The net cash inflow of £0.5m within financing activities in discontinued operations mainly reflects the bank loan taken out within Biotec in July 2012.

There was negligible investment in the year in new property, plant and equipment (2011: £0.1m) and £0.3m in product development (2011: £0.4m).

The closing cash position was £6.3m (2011: £2.4m) reflecting the sale of Biotec in the year.

Going concern

The directors have reviewed forecasts and budgets for the coming year which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to historic and current industry knowledge, taking future growth into account. As a result of this process, at the time of approving the financial statements, the directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future and, accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

Employees

With the streamlining process there were a number of redundancies and I thank both the outgoing members of the team for their contributions to the Group and also to the remaining members of the team who continue to show innovation in both the product and commercial positions we are developing.

Paul Mines

Chief Executive Officer

CONSOLIDATED STATEMENT

OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 Before Exceptional Items £'000	2012 Exceptional Items	2012 Total	2011 Total £'000
Continuing operations					
REVENUE	**5a – 5b**	**5,652**		**5,652**	**9,235**
Cost of sales		**(4,596)**		**(4,596)**	**(7,472)**
GROSS PROFIT		**1,056**		**1,056**	**1,763**
Administrative expenses		**(3,107)**		**(3,107)**	**(3,235)**
LOSS FROM OPERATIONS	**5a – 5b**	**(2,051)**		**(2,051)**	**(1,472)**
Investment revenue		**10**		**10**	**149**
Foreign exchange loss		**(23)**		**(23)**	**(88)**
LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS		**(2,064)**		**(2,064)**	**(1,411)**
Taxation	**6**	**73**		**73**	**78**
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,991)**		**(1,991)**	**(1,333)**
Discontinued operations	**7**	**(365)**	**(3,413)**	**(3,778)**	**281**
LOSS FOR THE YEAR		**(2,356)**	**(3,413)**	**(5,769)**	**(1,052)**
Other comprehensive income:					
Retranslation reserve on disposal		**-**	**(854)**	**(854)**	**-**
Exchange differences on translating					

foreign operations		(216)	-	(216)	(113)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,572)	(4,267)	(6,839)	(1,165)
Basic and diluted loss per share – pence (continuing and discontinuing operations)	8			(0.098)	(0.018)
Basic and diluted loss per share – pence (continuing operations)				(0.034)	(0.023)
Basic and diluted loss per share – pence (discontinuing operations)				(0.064)	0.005

CONSOLIDATED STATEMENT

OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 £'000	2011 £'000
NON-CURRENT ASSETS			
Goodwill	9	-	7,289
Other intangible assets	10	1,213	1,348
Property, plant and equipment	11	302	1,651
		1,515	10,288
CURRENT ASSETS			
Inventories	12	369	2,763
Trade and other receivables	13	1,128	6,269
Cash and cash equivalents		6,275	2,399
		7,772	11,431
TOTAL ASSETS		9,287	21,719
CURRENT LIABILITIES			
Provisions	14	222	-
Trade and other payables		931	4,090
Promissory notes payable	15	-	2,666
Obligations under finance leases		-	94
		1,153	6,850
TOTAL LIABILITIES		1,153	6,850
NET ASSETS		8,134	14,869

EQUITY		
Share capital	**5,885**	**5,885**
Share premium account	**38,623**	**38,623**
Share options reserve	**966**	**862**
Translation reserve	**(85)**	**985**
Retained losses	**(37,255)**	**(31,486)**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AND TOTAL EQUITY	**8,134**	**14,869**

The financial statements were approved by the Board on 27 March 2013.

Signed on behalf of the Board of Directors

Paul R Mines (Chief Executive)

27 March 2013

CONSOLIDATED STATEMENT

OF CHANGES IN EQUITY

As at 31 December 2012

	Share capital	Share premium account	Share options reserve	Translation reserves	Retained losses	Attributable to equity holders of the parent	Non-controlling interest	TOTAL EQUITY
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012	5,885	38,623	862	985	(31,486)	14,869	-	14,869
Share options charges in year	-	-	104	-	-	104	-	104
Transactions with owners	-	-	104	-	-	104	-	104
Loss for the year	-	-	-	-	(5,769)	(5,769)	-	(5,769)
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	(216)	-	(216)	-	(216)
Reversal on sale of Biotec	-	-	-	(854)	-	(854)	-	(854)
Total comprehensive income for the year	-	-	-	(1,070)	(5,769)	(6,839)	-	(6,839)
Balance 31 December 2012	5,885	38,623	966	(85)	(37,255)	8,134	-	8,134
Balance at 1 January 2011	5,885	38,623	742	1,098	(30,434)	15,914	-	15,914
Share options charges in year	-	-	120	-	-	120	-	120

Transactions with owners	-	-	120	-	-	120	-	120
Loss for the year	-	-	-	-	(1,052)	(1,052)	-	(1,052)
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	(113)	-	(113)	-	(113)
Total comprehensive income for the year	-	-	-	(113)	(1,052)	(1,165)	-	(1,165)
Balance 31 December 2011	5,885	38,623	862	985	(31,486)	14,869	-	14,869

CONSOLIDATED STATEMENT

OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	£'000	£'000
Loss from operations – continuing operations	(2,051)	(1,472)
Adjustment for:		
Amortisation and impairment of intangible assets	420	262
Depreciation of property, plant and equipment	55	58
Share based payments	123	120
Foreign exchange	(21)	(30)
Operating cash flows before movement in working capital	(1,474)	(1,062)
Decrease/(increase) in inventories	362	(575)
Decrease in receivables	788	363
Decrease in payables	(475)	(98)
Cash utilised by operations – continuing operations	(799)	(1,372)
Cash (utilised)/generated by operations – discontinuing operations	(592)	266
Cash utilised by operations	(1,391)	(1,106)
Corporation tax (paid)/received	73	150
Interest paid	-	(199)
Net cash outflow from operating activities	(1,318)	(1,155)
Cash flows from investing activities		
Continuing operations		
Interest received	10	322
Investment in intangible assets	(265)	(357)
Purchase of property, plant and equipment	(6)	(55)
Net cash used in investing activities – continuing activities	(261)	(90)
Discontinuing operations		
Proceeds from disposal of joint venture – net of cash	4,991	-
Interest received	-	9

Purchase or property, plant and equipment	**(23)**	**(68)**
Net cash used in investing activities – discontinuing activities	**4,968**	**(59)**
Net cash used in investing activities	**(4,707)**	**(149)**
Financing activities		
Discontinuing activities		
Proceeds from borrowings	**597**	**-**
Repayment of obligations under finance lease	**(90)**	**(250)**
Net cash inflow/(outflow) from financing activities	**507**	**(250)**
Net increase/(decrease) in cash and cash equivalents	**3,896**	**(1,554)**
Cash and cash equivalents at beginning of year	**2,399**	**3,963**
Effect of foreign exchange rate changes	**(20)**	**(10)**
Cash and cash equivalents at end of year	**6,275**	**2,399**

NOTES TO THE CONSOLIDATED FINANCAL STATEMENTS

For the year ended 31 December 2012

1. NON-STATUTORY FINANCIAL STATEMENTS

The financial information set out in this preliminary results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2012 or 2011 but is derived from those financial statements. Statutory financial statements for 2011 have been delivered to the Registrar of Companies. Those for 2012 will be delivered following the Company's Annual General Meeting, which will be convened on 25 April 2013. The auditors have reported on those accounts: their reports on those financial statements were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The financial statements, and this preliminary statement, of the Group for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 27 March 2013 and the balance sheet was signed on behalf of the Board by Paul R Mines.

2. BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

3. BASIS OF CONSOLIDATION

The Group financial statements consolidate the results of the Company and all of its subsidiary undertakings drawn up to 31 December 2012. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. At 31 December 2012 the subsidiary undertakings were Biome Bioplastics Limited, Stanelco RF Technologies Limited, Aquasol Limited, and InGel Technologies Limited (dormant). On 1 October 2012 the Company disposed of its 50% holding in its joint venture headed by Biotec Holding GmbH.

The assets and liabilities of the Biome Technologies plc Employee Benefit Trust ("EBT") are included within the consolidated statement of financial position on the basis that the Group has the ability to exercise control over the EBT.

4. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, that represents a separate major line of business or geographical area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired entirely with a view to resale. Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the income statement.

5a. SEGMENTAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2012

	Bioplastics	RF Technologies	Central Costs	Total
	2012	2012	2012	2012
	£'000	£'000	£'000	£'000
Revenue from external customers – continuing operations	**3,387**	**2,265**	**-**	**5,652**
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(977)**	**411**	**(1,485)**	**(2,051)**
Investment revenue				**10**
Foreign exchange loss				**(23)**
LOSS BEFORE TAXATION				**(2,064)**
TOTAL ASSETS	2,188	1,491	5,608	**9,287**

5b. SEGMENTAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2011

	Bioplastics	RF Technologies	Central Costs	Discontinued operations	Total
	2011	2011	2011	2011	2011
	£'000	£'000	£'000	£’000	£'000
Revenue from external customers – continuing operations	**6,331**	**2,904**	**-**	**-**	**9,235**
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(423)**	**584**	**(1,633)**	**-**	**(1,472)**

Investment revenue					**149**
Foreign exchange loss					**(88)**
LOSS BEFORE TAXATION					**(1,411)**
TOTAL ASSETS	7,060	1,301	1,219	12,139	**21,719**

The Bioplastics division comprises of Biome Bioplastics Limited and Aquasol Limited. Biotec is included as a discontinued operation.

6. TAXATION

The Group's policy is to recognise tax credits resulting from tax R&D claims on a cash received basis. The claim in respect of the year ended 31 December 2011 has now been settled. A tax credit has, therefore, been recognised in the Group's financial statements in respect of that claim.

7. DISCONTINUED OPERATIONS AND EXCEPTIONAL ITEMS

	2012	2011
	£'000	£'000
Revenue	**5,359**	**9,832**
Cost of sales	**(4,428)**	**(8,110)**
Gross profit	**931**	**1,722**
Administrative expenses	**(1,026)**	**(1,290)**
(Loss)/Profit from discontinued operations	**(95)**	**432**
Investment income	**2**	**9**
Finance charges	**(8)**	**(25)**
Foreign exchange loss	**(263)**	**(121)**
Operating loss before exceptional loss on disposal	**(364)**	**295**
Exceptional items:		
Loss on carrying value of Biotec	**(3,785)**	**-**
Transaction costs	**(112)**	**-**
Foreign exchange transaction gain	**854**	**-**
Write down of inventories	**(168)**	**-**
Bad debt provision	**(52)**	**-**
Impairment of intangible assets	**(149)**	**-**
(Loss)/Profit before taxation from discontinued operations	**(3,776)**	**295**
Taxation	**(2)**	**(14)**
(Loss)/Profit after taxation from discontinued operations	**(3,778)**	**281**

8. EARNINGS PER SHARE

The calculation of earnings per share (continuing and discontinuing operations) is based on the loss attributable to the equity holders of the parent for the twelve months of £5,769,000 (2011: £1,052,000) and a weighted average of 5,884,866,333 (2011: 5,884,866,333) ordinary shares in issue.

9. GOODWILL

The decrease in goodwill since 31 December 2011 is due to the disposal of Biotec and to a £175,000 impairment in the goodwill in respect of Aquasol.

10. OTHER INTANGIBLE ASSETS

Other intangible assets decreased in the year as a result of an impairment charge of £149,000 in relation to development activities relating solely to the Biotec investment. During the year there was a capitalisation of £265,000 of product development costs (2011: £357,000). The amortisation charge for the year was £245,000 (2011: £147,000).

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of £1,124,000 was disposed of as part of the sale of the interest in Biotec. Within continuing activities £7,000 of property, plant and equipment was acquired in the year (2011: £122,000). The depreciation charge for continuing activities for the year was £55,000 (2011: £58,000).

12. INVENTORIES

Inventories with a value of £2,119,000 were disposed of as part of the sale of the interest in Biotec on 1 October 2012.

13. TRADE AND OTHER RECEIVABLES

Within the 31 December 2011, trade and other receivables there was £2,698,000 in respect of a Euro denominated loan made to Biotec in the form of promissory notes. These promissory notes were derecognised as part of the sale of the Group's interest in Biotec.

14. PROVISIONS

The Group has property lease obligations for three properties in Southampton of which only one is occupied by the operations of the Group. Of the remaining two, one is let to a third party tenant and the other is currently vacant. The provision of £222,000 is for the vacant unit and is an estimate of the void letting and potential rent free period that will be required to let the unit. The board is currently looking at all options available with regards these buildings.

15. PROMISSORY NOTES PAYABLE

Promissory notes payable at 31 December 2011 related to amounts due from Biotec and its subsidiaries to the 50 per cent shareholder, SPhere. With the sale of the Group's interest in Biotec these promissory notes no longer form a part of the Group's obligations.

16. CONTINGENT LIABILITIES

On 29 May 2007 the Board advised that it was evaluating claims against Biotec's technology made by Novamont. Subsequently Novamont brought proceedings against Biotec and SPhere and certain group companies of SPhere claiming infringement of the French and Italian designations of Novamont’s European Patent Numbers EP 0 327 505, EP 0 947 559 and EP 0 937 120.

With the disposal of the Group’s interest in Biotec on 1 October 2012, the Group no longer has any obligation or liability with respect to this litigation.