Half-yearly Report

LONDON--(BUSINESS WIRE)--

KIOTECH INTERNATIONAL PLC (AIM: KIO)

("Kiotech" or "the Company")

Kiotech International plc, the international supplier of natural high performance feed additives to enhance growth, health and sustainability in agriculture and aquaculture, is pleased to announce its interim results for the 6 months to 30 June 2010.

Key points: Financial

- Optivite, acquired in September 2009, makes a full six months contribution.
- 157% increase in profit before tax to £0.777m (2009: £0.302m).
- Threefold advance in sales to £11.082m (2009: £3.468m).
- Cash balance of £4.554m at 30 June 2010.

Key points: Operational

- Integration of Optivite progressing well with consolidation of our operations starting to deliver the planned benefits.
- Good performance from our international agriculture division.
- Contracts exchanged to acquire the Manton Wood production and head office site for £1.450m.
- Aquatice® given approval to market for both fin fish and shrimp in the Philippines.

Richard Rose, Chairman, commented:

"We are encouraged by our trading performance to date and remain confident going forward given the good progress in integrating the Optivite acquisition. Management remains focused on consolidating our operations into a single unit to deliver the planned benefits, whilst retaining and promoting separate brands in the marketplace."

Enquiries:

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KIOTECH INTERNATIONAL plc
Interim results for 6 months to 30 June 2010

Chairman's Statement

I am delighted to report a strong performance in the period under review, boosted by good progress integrating last September's acquisition of Optivite. A great deal of work has been undertaken in consolidating our finance and operational activities into Optivite's main production site and office at Manton Wood. There are still a number of projects underway and we expect these to be completed by the end of this year.

Results

In the six months to 30 June 2010 profit before tax increased significantly to £0.777m (2009: £0.302m). Sales also advanced strongly to £11.082m (2009: £3.468m). This performance reflects continued organic growth and a full six months contribution from the Optivite acquisition.

Income tax expense has benefited from a credit of £0.128m resulting from favourable adjustments to prior year computations. On 3 September 2010 we exchanged contracts to acquire for £1.45m, a long leasehold interest in our head office and main manufacturing site at Manton Wood, Worksop, previously occupied on a short lease.

The balance sheet remains strong with good cash generation and the Company ended the period with a cash balance of £4.554m (30 June 2009: £1.780m; 31 December 2009: £5.015m).

Optivite integration

Our production activities have been consolidated into Optivite's modern feed additive plant at Manton Wood. This plant has now doubled its production throughput, with additional Agil volume and a strong performance from Optivite International, and we are starting to experience improved efficiencies. Further investment has been made to increase warehousing capacity, and we are currently extending the offices to accommodate staff transferred from Optivite's International team, who were located in offices nearby.

Optivite's UK business comprises higher margin functional feed additives but also lower margin fats and concentrates, some of which was unprofitable due to the very competitive nature of the fats business. Consolidating production will go some way to improve our margins in this product group. We have also improved our sales management structure in the UK by identifying and focusing on key market segments where we have a strong value proposition for the customer. These changes have also included recruiting a new sales team with responsibility for driving growth in these specific segments.

The integration is progressing well and we expect to have completed all major projects by the end of this year, and although we are beginning to experience some of the benefits of the integration it will inevitably be a while before the full impact is felt.

We have also taken the decision to close Optivite's North Scarle site at the end of the year, when we will transfer its fats and concentrates business to Manton Wood. These changes mean that our operations will now be focused on just two sites: Manton Wood for the functional feed additive business and Boroughbridge, in North Yorkshire, where Vitrition, our organic feed business is located. Manton Wood, which also contains the head office, is a strategic site for the Company hence the decision to buy the land and buildings to give security of tenure on which to make long term investment decisions.

Operations – Agriculture

Agil continued to make progress during the period with some particularly strong performances from Argentina, Bangladesh, Malaysia, Peru and Poland. In Malaysia we successfully launched a new mycotoxin binder product, called Neutox, which in addition to removing harmful mycotoxins in the animal feed also prevents future mould growth and consequently new toxin development. The success of this value-add product has encouraged us to market it in other territories around the world.

A number of strong performers last year have struggled to maintain their momentum in the first six months of this year for differing reasons. Chile's poultry integrators have been affected by the earthquake earlier this year, and Vietnam's aquaculture industry, into which we sold significant volumes of our pellet binder, Aquacube®, suffered a poor market towards the end of 2009. It is a feature of the business that being geographically diverse means short-term poor performance in a territory can be offset by strength elsewhere in the world.

We now have four acidifier products registered in Brazil, where our distributor is focusing on marketing Salkil to some of the world's largest poultry integrators, where feed volumes are significant. In China, we now have a number of products registered, for which we have embryonic sales. Again, our Chinese sales team is focusing on some of the larger meat producers where the volumes are significant but the selling process can be lengthy and sometimes complex.

Vitrition, our organic feed brand, which operates from one of only two dedicated organic feed mills in the UK, and accounts for around 17% of Group turnover, has been focused on improving margins in the business.

The Optivite acquisition brought a range of more nutritionally based products to our portfolio, which complement Agil's strength in products for biosecurity applications. The Agil sales team has started to market a number of these new products such as the omega-3 supplements, which Optivite developed and leads the market. These supplements enhance fertility, viability of young animals, growth rate and also increase the omega-3 content of meat and eggs for human consumption. Human health is an important consideration in household purchasing decisions around the world; especially as developing nations move towards a more meat protein based diet.

Operations - Aquaculture

We have a number of customer trials underway in Thailand for both Tilapia and Shrimp Aquatice®. Our Head of Aquaculture, based in Thailand, has set up and is overseeing these trials jointly with the farmers to ensure we learn as much as possible about the practicalities of farmers using Aquatice®. These trials will complete later in the year when the ponds are fully harvested, by which time the farmer will be able to evaluate the benefits of the product. We are also working with a number of partners in China and the Philippines and have recently been granted registration for Tilapia and Shrimp Aquatice® for the Philippines.

Board Membership

Mark Nicholls retired from the Board on 26 April 2010; the Board would like to record the Company's appreciation of his contribution to the development of Aquatice®. Richard Scragg, the founder and Chairman of Optivite, joined the Kiotech Board last October following the acquisition. Now that the integration is well established and proceeding according to plan, Richard will become a non-executive director of the Company with effect from 1 October 2010. I am delighted that the Company will continue to benefit from Richard's extensive knowledge and experience of our industry.

Outlook

We are encouraged by the trading performance so far this year. We are continuing to generate organic growth while also successfully further integrating the Optivite acquisition. Management is also working on new business development opportunities including territory expansion and product development, while also maintaining close links with Thai aquaculture farmers to demonstrate the benefits of Aquatice®.

We look forward with confidence backed by a strong balance sheet and cash position, which allows us to consider further acquisition opportunities to broaden our product and geographic spread and enhance shareholder value.

Richard S Rose
Chairman
15 September 2010

Principal risks and uncertainties

The group set out in its 2009 Annual Report and Financial Statements the principal risks and uncertainties that could impact its performance; these remain unchanged since the annual report was published.

Unaudited consolidated income statement

For the six months ended 30 June 2010

	Note	Six months to 30.06.10 £000	Six months to 30.06.09 £000	Year ended 31.12.09 £000
Revenue	3	11,082	3,468	10,955
Cost of sales		(8,193)	(2,210)	(7,823)
Gross profit		2,889	1,258	3,132
Administrative expenses		(2,135)	(980)	(2,429)
Gains on sale of intellectual property		-	-	675
Operating profit		754	278	1,378

Interest receivable (net)		23	24	31
Profit before income tax		777	302	1,409
Income tax expense		(105)	(85)	(194)
Profit for the period from continuing operations		672	217	1,215
Profit for the year attributable to:				
Owners of the parent		660	217	1,211
Minority Interest		12	-	4
		672	217	1,215

The consolidated income statement has been prepared on the basis that all operations are continuing operations.
Earnings per share attributable to the equity holders of the company:

Basic earnings per share (pence)	4	0.16	0.09	0.41
Diluted earnings per share (pence)	4	0.16	0.09	0.41

Unaudited consolidated statement of comprehensive income
For the six months ended 30 June 2010

	Six months to	Six months to	Year ended
	30.06.10	30.06.09	31.12.09
	£000	£000	£000
Profit for the period	672	217	1,215
Currency translation differences	-	-	1
Total comprehensive income for the year	672	217	1,216
Attributable to:			
Owners of the parent	660	217	1,212
Minority Interest	12	-	4

Total comprehensive income for the year	672	217	1,216

The above consolidated income statement should be read in conjunction with the accompanying notes.

Unaudited consolidated balance sheet

For the six months ended 30 June 2010

	Note	As at 30.06.10 £000	As at 30.06.09 £000	As at 31.12.09 £000
Non current assets				
Intangible assets	5	6,829	4,363	6,773
Property, plant and equipment		877	367	662
		7,706	4,730	7,435
Current assets				
Inventories		1,217	432	1,291
Trade and other receivables		5,255	2,150	4,911
Cash and cash equivalents		4,554	1,780	5,015
		11,026	4,362	11,217
Total Assets		18,732	9,092	18,652

Equity and Liabilities

Called up share capital	4,209	2,511	4,209
Share premium account	2,957	-	2,957
Other reserves	517	256	508
Special reserve	4,441	4,441	4,441
Retained earnings	2,105	451	1,445
	14,229	7,659	13,560
Minority Interests	57	-	45
Total Equity	14,286	7,659	13,605
Non-current liabilities			
Borrowings	13	-	30
Deferred Income tax liabilities	498	-	493
	511	-	523
Current Liabilities			
Trade and other payables	3,420	1,203	4,109
Corporation tax	515	230	415
	3,935	1,433	4,524
Total Liabilities	4,446	1,433	5,047
Total Equity and Liabilities	18,732	9,092	18,652

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Unaudited consolidated statement of cashflows

For the year ended 30 June 2010

	Six months to	Six months to	Year ended

	30.06.10	30.06.09	31.12.09
	£000	£000	£000
Cash generated from operating activities	(154)	31	2,421
Interest paid	-	-	(1)
Income tax paid	-	14	(340)
Net cash generated from operating activities	(154)	45	2,080
Cash generated from investing activities			
Acquisition of subsidiary net of cash acquired	-	-	(3,127)
Payments to acquire intangible fixed assets	(67)	(141)	(226)
Purchases of plant and equipment	(254)	(15)	(44)
Proceeds from disposals of plant and equipment	8	-	-
Interest received	23	24	31
Net cash used in investing activities	(290)	(132)	(3,366)
Cashflows from financing activities			
Proceeds from issuance of shares	-	-	4,541
Dividend paid to Company's shareholders	-	-	(101)
Repayment of borrowings	(17)	-	(7)
Net cash used in financing activities	(17)	-	4,433

Net (decrease)/increase in cash and cash equivalents	(461)	(87)	3,147
Cash and cash equivalents at the beginning of the period	5,015	1,867	1,868
Cash and cash equivalents at the end of the period	4,554	1,780	5,015

	Six months to	Six months to	Year ended
	30.06.10	30.06.09	31.12.09
	£000	£000	£000
Profit before income tax	777	302	1,409
Adjustments for:			
Finance costs	(23)	(24)	(31)
Depreciation and amortisation	50	65	82
Profit on disposal of plant and equipment	(8)	-	-
Share based payments	9	7	30
Changes in working capital:			
Inventories	74	37	(183)
Trade and other receivables	(344)	(455)	350
Trade and other payables	(689)	99	764
Cash generated from operations	(154)	31	2,421

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Unaudited consolidated statement of changes in equity

for the period ended 30 June 2010

Attributable to the owners of the parent	Share Capital £000	Share Premium £000	Special Reserve £000	Other Reserves £000	Retained Earnings £000	Minority Interests £000	Total Equity £000
Balance at 1 January 2009	2,511	-	4,441	249	335	-	7,536
Profit	-	-	-	-	217		217
Total comprehensive income for the half year	-	-	-	-	217	-	217
Transactions with owners							
Share based payment adjustments	-	-		7	-	-	7
Dividends relating to 2008	-	-		-	(101)	-	(101)
Transactions with owners	-	-	-	7	(101)	-	(94)
Balance at 30 June 2009	2,511	-	4,441	256	451	-	7,659
Profit	-	-	-	-	994	4	998
Total comprehensive income for the year	-	-	-	-	994	4	998
Transactions with owners							
Issue of shares	1,698	2,957	-	229	-	-	4,884

Share based payment adjustments	-	-	-	23	-	-	23
Transactions with owners	1,698	2,957	-	252	-	-	4,907
Minority interests arising	-	-	-	-	-	41	41
Balance at 1 January 2010	4,209	2,957	4,441	508	1,445	45	13,605
Profit	-	-	-	-	660	12	672
Total comprehensive income for the half year	-	-	-	-	660	12	672
Transactions with owners							
Share based payment adjustments	-	-	-	9	-	-	9
Transactions with owners	-	-	-	9	-	-	9
Minority interests arising	-	-	-	-	-	-	-
Balance at 30 June 2010	4,209	2,957	4,441	517	2,105	57	14,286

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. General information Kiotech
International plc ("the company") and its subsidiaries (together "the group") manufacture and supply products to enhance the health, growth and sustainability in agriculture and aquaculture.

The company acquired the Optivite Group on 30 September 2009.

The company is traded on the London Stock Exchange Aim market and is incorporated and domiciled in the UK. The address of the registered office is Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS.

2. Basis of preparation
The consolidated interim financial statements comprise the accounts of the company and its subsidiaries drawn up to 30 June 2010.

The consolidated interim financial statements have been prepared on the basis of the accounting policies set out in the group's annual financial statements for the year ended 31 December 2009, which are available on the company's web site at www.kiotech.com.

Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year end to 31 December 2010, there is no financial impact on these consolidated interim financial statements.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the Board of Directors on 25 May 2010 and delivered to the Registrar of companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The consolidated interim financial information for the period ended 30 June 2010 is unaudited.

3. Segment information
All revenues from external customers are derived from the sale of goods in the ordinary course of business to the agricultural and aquacultural markets and are measured in a manner consistent with that in the income statement.

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographic perspective.

Management considers adjusted EBITDA, which comprises Earnings before interest, tax , depreciation and amortisation adjusted for share-based payments.

	UK and Eire	International	Total
	£000	£000	£000
Half year 2010			
Total segmental revenue	5,098	6,076	11,174
Inter-segment revenue	-	(92)	(92)
Revenue from external customers	5,098	5,984	11,082

Adjusted EBITDA	187	626	813
Depreciation and amortisation	25	25	50
Income tax (credit)/expense	52	(157)	(105)
Total assets	4,444	14,288	18,732
Total liabilities	(2,095)	(2,351)	(4,446)
Half year 2009			
Total segmental revenue	204	3,264	3,468
Inter-segment revenue	-	-	-
Revenue from external customers	204	3,264	3,468
Adjusted EBITDA	20	330	350
Depreciation and amortisation	-	65	65
Income tax expense	(6)	(79)	(85)
Total assets	34	9,058	9,092
Total liabilities	(6)	(1,427)	(1,433)
Year ended 31 December 2009			
Total segmental revenue	3,762	7,644	11,406
Inter-segment revenue	(440)	(11)	(451)
Revenue from external customers	3,322	7,633	10,955
Adjusted EBITDA	95	1,395	1,490
Depreciation and amortisation	59	23	82
Income tax expense	(12)	(181)	(193)
Total assets	3,665	14,987	18,652
Total liabilities	(2,438)	(2,609)	(5,047)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	Six months to 30.06.10 £000	Six months to 30.06.09 £000	Year ended 31.12.09 £000
Adjusted EBITDA for reportable segments	813	350	1,490

Depreciation, amortisation and impairment provisions	(50)	(65)	(82)
Share-based payment charges	(9)	(7)	(30)
Finance income-net	23	24	31
Profit before tax	777	302	1,409

4. Earnings per share	Six months to	Six months to	Year ended
	30.06.10	30.06.09	31.12.09
Weighted average number of shares in issue (000's)	420,899	251,079	293,534
Fully diluted weighted average number of shares in issue (000's)	424,695	252,129	298,367
Profit attributable to equity holders of the company (£000's)	660	217	1,211
Basic earnings per share (pence)	0.16	0.09	0.41
Gains on sale of intellectual property (pence per share)	-	-	(0.21)
Underlying earnings per share	0.16	0.09	0.20
Diluted earnings per share	0.16	0.09	0.41

5. Intangible fixed assets	Goodwill, brands &	Patents &	
	Customer relationships	Developments	Total
	£000	£000	£000

Cost at 1 January 2010	5,822	1,083	6,905
Additions	-	67	67
Cost at 30 June 2010	5,822	1,150	6,972
Amortisation at 1 January 2010	-	132	132
Charge for the period	10	1	11
Amortisation at 30 June 2010	10	133	143
Net book value at 30 June 2010	5,812	1,017	6,829
Net book value at 1 January 2010	5,822	951	6,773

Contacts

Kiotech International Plc

Source: Kiotech International Plc